asx release

Transurban

8 September 2017

2017 Transurban Annual Report

Please find attached the 2017 Transurban Annual Report. The report will be mailed to those security holders who have elected to receive a hard copy. The report is also available online at www.transurban.com.

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Classification Public

Transurban Group

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2017 Transurban Annual Report

transurban.com

Contents

Transurban Holdings Limited and Controlled Entities

ABN 86 098 143 429

(Including Transurban International Limited and Transurban Holding Trust)

Annual report for the year ended 30 June 2017

Contents

Directors' report

The Directors of Transurban Holdings Limited ('the Company', 'the Parent' or 'THL') and its controlled entities ('Transurban', 'Transurban Group' or 'the Group'), Transurban International Limited and its controlled entities ('TIL'), and Transurban Infrastructure Management Limited ('TIML'), as responsible entity of Transurban Holding Trust and its controlled entities ('THT'), present their report on the Transurban Group for the financial year ended 30 June 2017 ('FY17'). The controlled entities of THL include the other members of the stapled group being TIL and THT.

Result

Statutory results

- Toll revenue increased 11.4 per cent to $2,083 million;
- Profit from ordinary activities after tax increased 850.0 per cent from $22 million to $209 million;
- Profit from ordinary activities after tax excluding significant items[1] increased 41.2 per cent to $209 million;
- Earnings before depreciation and amortisation, net finance costs, equity accounted investments and income taxes ('EBITDA') increased 22.3 per cent to $1,526 million;
- EBITDA excluding significant items[1] increased 10.7 per cent to $1,526 million;
- Statutory net profit attributable to security holders of the stapled group increased 141.4 per cent to $239 million; and
- Statutory net profit attributable to security holders of the stapled group excluding significant items[1] increased 34.3 per cent to $239 million.

Proportional results

- Toll revenue increased 10.6 per cent to $2,153 million;
- EBITDA[2] increased by 16.5 per cent to $1,629 million;
- EBITDA[2] excluding significant items[1] increased by 10.1 per cent to $1,629 million; and
- Free cash increased 31.7 per cent to $1,220 million.

Distributions

	Amount per security Cents	Franked amount per security %
Final distribution (declared prior to reporting date)	23.0	–
Final dividend (declared prior to reporting date)	3.5	100
	26.5	
Interim distribution for the current year	21.5	–
Interim dividend for the current year	3.5	100
	25.0	
Final distribution (prior year)	19.5	–
Final dividend (prior year)	3.5	100
	23.0	
Record date for determining entitlements to distribution and dividend		30 June 2017
Date of payment of final distribution and dividend		11 August 2017

1. *Significant items are those items where their nature and amount is considered material to the financial statements and not in the ordinary course of business. Refer to note B6 of the Group financial statements for further information.*
2. *Refer to Note B4 of the Group financial statements for the definition of proportional EBITDA.*

Principal activities

The principal activities of the Group during the financial year were the development, operation, maintenance and financing of toll road networks as well as management of the associated customer and client relationships.

Operating and financial review

Our business

Transurban manages and develops urban toll road networks in Australia and the United States of America.

The Group owns concession assets across four key market segments: Victoria (‘VIC’), New South Wales (‘NSW’), Queensland (‘QLD’) and the Greater Washington Area (‘GWA’).

Transurban is listed on the Australian Securities Exchange (‘ASX’) and has been in business since 1996.

Strategy

Transurban’s target markets are the eastern seaboard of Australia and North America.

At the heart of our business strategy is our desire to be a partner of choice for our government clients and an organisation that meets the needs of our customers and the community. To achieve this, we strive to provide effective transportation solutions to support the growth and development of the cities in which we operate.

At Transurban we do this through management of our existing road networks, through our active involvement in the transport policy debate, and by applying our unique skills to the infrastructure challenges in our markets.

In delivering on this objective our business has fostered core capabilities in the following areas:

- Network planning and forecasting;
- Community engagement;
- Development and delivery;
- Technology; and
- Operations and customer management.

Value proposition

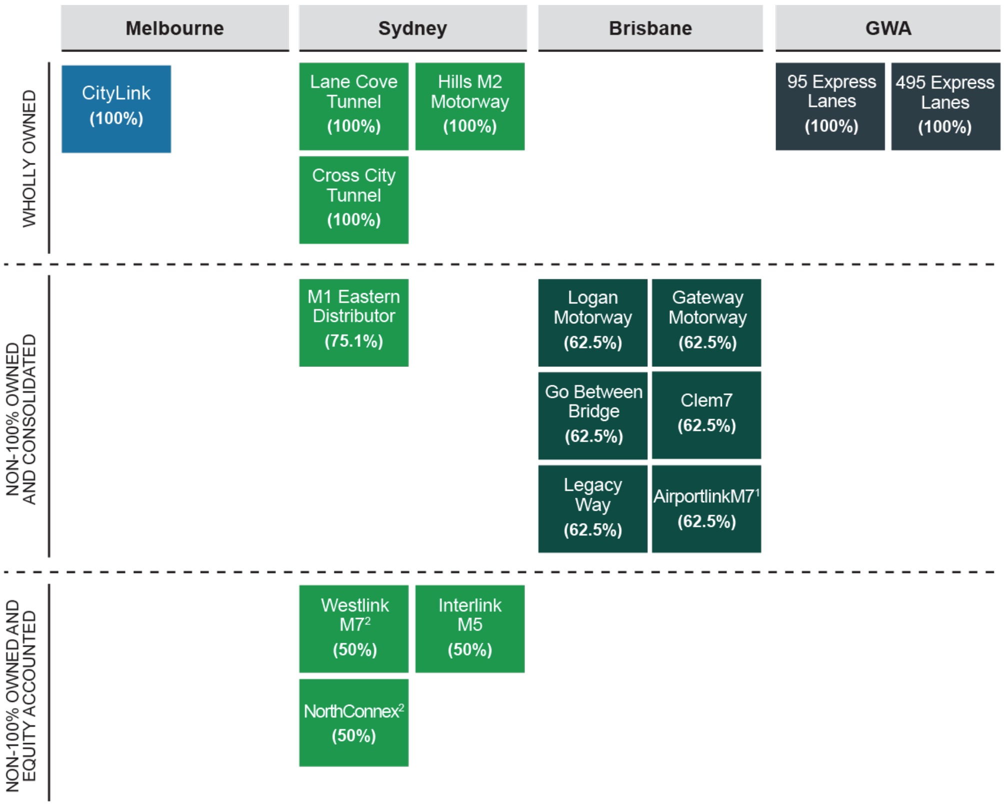
Transurban has an interest in 15 operating assets across four markets. The investment proposition for high quality toll road assets lies in providing investors with access to long dated, predictable, growing cash flows generated over the life of the concession.

Organic growth is derived from traffic growth and toll escalation. It is supported by Transurban’s ability to meet the service expectations of our customers to provide efficient corporate and operational services at scale across its portfolio.

In addition, Transurban continues to invest in the ongoing development of our portfolio and expand our initiatives in customer engagement, sustainability, technology and safety to create value for all our stakeholders.

Operating and financial review (continued)

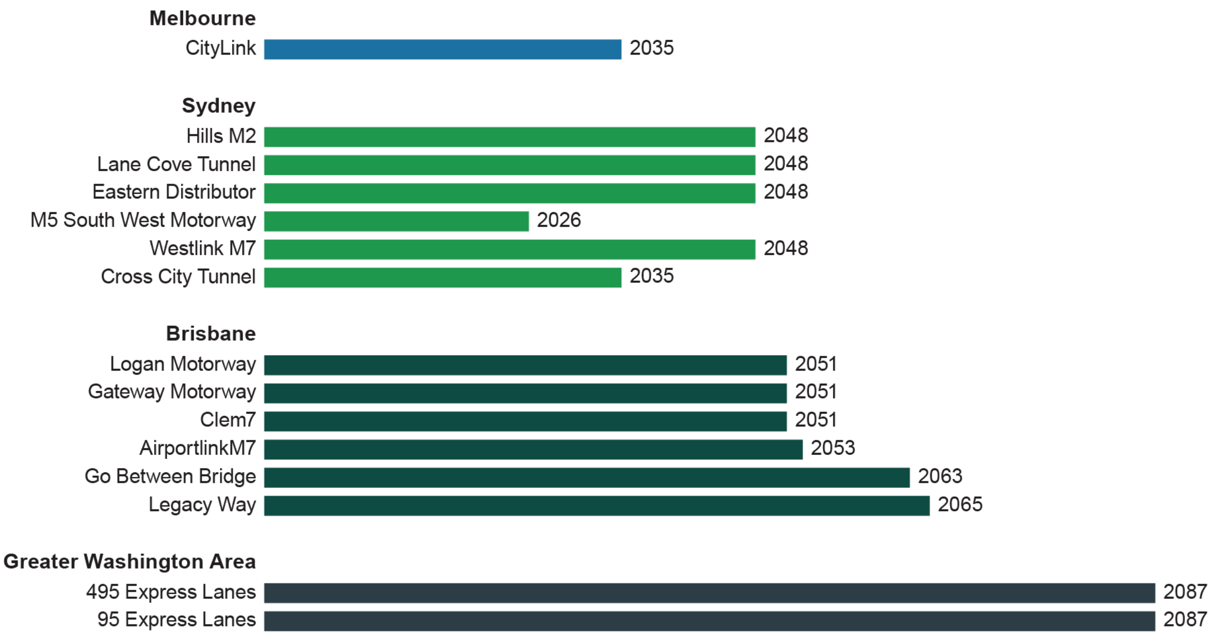
Segments



1. *Airportlink M7 was acquired on 1 April 2016.*
2. *Westlink M7 and NorthConnex form the NorthWestern Roads Group.*

Concession assets timeline

Below is a list of the concession asset end dates (calendar year ends).



Operating and financial review (continued)

Accounting for assets – changes during the year

During the year ended 30 June 2017, there have been no significant changes in the accounting for our assets.

Group financial performance

Financial performance indicators

The Transurban Board and management assess the performance of the networks in which we operate based on a measure of proportional earnings before depreciation, amortisation, net finance costs and income taxes (‘Proportional EBITDA’) excluding the impact of significant items (‘Underlying proportional EBITDA’). This reflects the contribution of each network in the Group in the proportion of Transurban's equity ownership.

Significant items are those items where their nature and amount is considered material to the financial statements and not in the ordinary course of business.

To arrive at the proportional result, minority interests in Transurban’s controlled roads are taken out and Transurban’s interests in non-controlled assets are included, in proportion to Transurban’s ownership.

Free cash is the primary measure used to assess Transurban’s cash generation. Free cash is used as the guide to determine distributions to security holders.

Year ended 30 June 2017 highlights

Statutory results

	FY17 $M	FY16 $M
Toll revenue	**2,083**	1,870
EBITDA	**1,526**	1,248
Net profit/(loss)	**209**	22
EBITDA excluding significant items	**1,526**	1,379
Net profit after tax excluding significant items	**209**	148

Operating and financial review (continued)

Proportional EBITDA

Segment information in note B4 to the financial statements presents the proportional result for Transurban Group, including reconciliations to the statutory result. Management considers proportional EBITDA to be the best indicator of asset performance. The table below also provides FY17 results adjusted to exclude certain acquisitions and new assets so as to compare the performance of the existing business to the prior year result.

	FY17 $M	FY16 $M	% Change	FY17 Adjusted[1] $M	FY16 Adjusted[1] $M	% Change
Toll revenue	**2,153**	1,946	10.6%	**2,083**	1,929	8.0%
Other revenue	**58**	60	(3.3%)	**58**	60	(3.3%)
Total costs	**(582)**	(526)	10.6%	**(564)**	(521)	8.3%
EBITDA excluding significant items	**1,629**	1,480	10.1%	**1,577**	1,468	7.4%
Significant items	**-**	(82)	(100%)	**-**	(7)	(100%)
EBITDA	**1,629**	1,398	16.5%	**1,577**	1,461	7.9%

1. Excludes contributions associated with AirportlinkM7.

Financial position

	FY17 M	FY16 M
Market capitalisation – 30 June	**$24,320**	$24,406
Securities on issue – 30 June	**2,052**	2,036
Cash and cash equivalents	**$988**	$834

Transurban's operating assets are primarily long-life intangible assets (concession assets), representing the provision by Government entities for the right to toll customers for the use of the assets. Concession assets represent 76 per cent of the total assets of the Group. The total duration of the concessions typically range from approximately 30 to 80 years, and for accounting purposes the carrying values are amortised on a straight line basis over the duration of the concession.

Free cash

	FY17	FY16	% Change
Free cash	**$1,220M**	$926M	31.7%
Weighted average securities eligible for distribution[1]	**2,048M**	1,978M	3.5%
Free cash per security (cents)	**59.6**	46.8	27.4%

1. New securities issued during the year are included only to the extent they were eligible for the interim and/or final distribution.

Movements in free cash during the period have been influenced by:

- $59 million growth in EBITDA from 100% owned assets
- ($58) million decrease due to higher net finance costs paid due to timing of cash flows on new and refinanced debt
- $77 million increase in non-100% owned assets distributions received due to higher distributions from M5 ($29 million) associated with the timing of payment of FY16 distributions, Transurban Queensland (excluding AirportlinkM7) ($15 million), Eastern Distributor ($11 million) and NorthWestern Roads Group distributions ($22 million)
- $38 million increase due to distributions received from AirportlinkM7
- $174 million increase from the NorthWestern Roads Group capital release
- $4 million increase due to favourable year-on-year movements in working capital and maintenance expense

The weighted average securities eligible for distribution have increased due to the impact of the equity issued in December 2015 to support the acquisition of AirportlinkM7. These securities issued in December 2015 were eligible for the FY16 2nd half distributions only, but were entitled to both distributions in FY17.

Note B10 to the statutory accounts provides a detailed calculation of free cash.

Network performance

Network	Highlights	Proportional toll revenue contribution	Traffic growth (average daily trips)	Toll revenue growth	EBITDA growth[2]
Sydney	▪ The network continues to perform well with large vehicle growth ▪ M2 traffic impacted by NorthConnex construction works ▪ Weekend traffic growth of 4.7%	40.5%	3.4%	9.2%	10.2%
Melbourne	▪ Disruption impacts from major CityLink-Tulla Widening ("CTW") works continued ▪ Opened approximately 35% of new capacity associated with CTW ▪ Heavy Commercial Vehicle ("HCV") multiplier moved to 3 times cars on 1 April 2017 as per concession agreement	31.9%	(1.0%)	4.1%	5.3%
Brisbane[1]	▪ Traffic growth improving with large vehicle growth exceeding cars ▪ HCV multipliers increasing to 3 times cars on Clem7 and Go-Between Bridge ("GBB") as of 1 July 2018 and on Legacy Way 1 July 2020 ▪ Legacy Way car tolls increasing by 7.8% on 1 July 2020	17.9%	15.0%	22.9%	97.1%
Greater Washington Area[3]	▪ Ramp up continues with traffic and revenue growth ▪ Traffic demand drove average dynamic toll price increases of 21% for 495 Express lanes and 19% for 95 Express Lanes compared to FY16	9.7%	12.8%	23.7%	39.2%

1. *Excluding Transurban Queensland integration and acquisition costs in FY16, EBITDA increased 22.9% (including AirportlinkM7).*
2. *Excluding AirportlinkM7, ADT increased 2.3%, toll revenue increased 6.3% and EBITDA increased 4.9%.*
3. *Toll revenue and EBITDA growth are calculated in USD.*

Operating and financial review (continued)

Sydney

Operations

Operational enhancement

- Successfully commissioned Eastern Distributor variable speed management system
- Completed M2 Motorscapes public art and five hectare bush regeneration project
- Development of new mobile hazard reporting devices
- Launch of new retail brand Transurban Linkt

Development

NorthConnex

- Project currently on time and on budget
- 19 road headers in operation
- Seven of 21 kilometres of tunnelling completed
- First spoil delivered to Hornsby Quarry in May 2017
- Accelerating Hills M2 integration works to minimise impact on Hills M2 customers
- Westlink M7 large vehicle multipliers reached 3 times cars in January 2017

Melbourne

Operations

CityLink Operations

- Preparation, safety and development work underway for connected and automated vehicles (CAV) trials. Car manufacturers testing how partial automation technologies interact with motorway infrastructure

Development

CityLink Tulla Widening

- Total project cost approximately $1.3 billion
- CityLink upgrade to be completed early 2018
- Construction proceeding on time and on budget – 80% complete
- 35% of new capacity already opened
- Over 80,000 trees planted to date
- New community grants program and Landcare partnership launched

Western Gate Tunnel Project

- Total project cost approximately $5.5 billion
- CPB Contractors John Holland Joint Venture selected as preferred tenderer
- Financial close expected by late 2017 with the Inquiry and Advisory Committee report to be submitted to Minister for Planning by 23 October

Operating and financial review (continued)

Brisbane

Operations

Brisbane Operations

- GLIDe on schedule for implementation by the end of 2017; will enable customer initiatives including digital self-service channels, mobile apps and notice of demand aggregation (subject to State Government approval)
- Tunnel network operations and maintenance (“O&M”) contract executed and the onboarding of Legacy Way onto this contract is progressing on time

Development

Logan Enhancement Project (“LEP”)

- Total project cost $512 million
- Construction underway
- Logan and Gateway HCV tolls increasing post-LEP (completion expected mid-2019)
- Design refinements to improve accessibility and reduce environmental footprint at Wembley Road and Gateway Extension interchanges

Inner City Bypass (“ICB”)

- Major construction started in July 2017
- Transurban to manage delivery and assume operations of the ICB post-upgrade
- Project funded via HCV multipliers increasing to 3 times cars on Clem7 and GBB on 1 July 2018 and Legacy Way 1 July 2020 and via Legacy Way car tolls increasing by 7.8% on 1 July 2020
- Construction completion scheduled for mid-2018

Greater Washington Area

Operations

95 Express Lanes and 495 Express Lanes

- Partnership with Virginia State Police on incident management and safety
- Delivered first phase of next generation cloud-based back office system
- Launched start-up challenge on innovative transportation ideas

Development

Southern Extensions to 95 Express Lanes

- Anticipated early completion in December 2017 on the three km southern extension of 95 Express Lanes
- Advanced development framework for the 14 kilometre extension south to the Fredericksburg area agreed with the Virginia Department of Transportation in June 2017
- Preliminary engineering under way

395 Express Lanes

- Total project cost USD $475 million
- Early works began in February 2017
- Financial close reached in July 2017
- Construction completion expected end of 2019

Operating and financial review (continued)

Financing activities

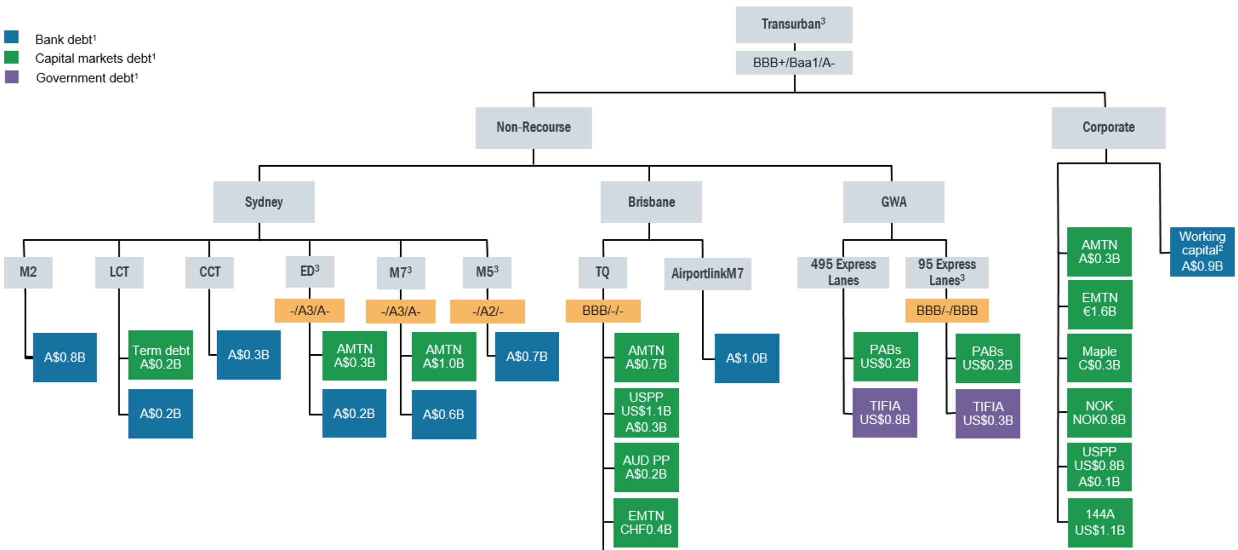
During the reporting period Transurban executed a number of financing activities including:

July 2016	Westlink M7 issued AUD$500 million of 7 and 10 year Australian Medium Term Notes.
	Lane Cove Tunnel drew down AUD$200 million of non-recourse debt. The debt was provided by banks and private placement investors for terms of 5 and 12 years respectively.
	NOK 750 million of corporate senior secured 11 year notes were issued via private placement under the Euro Medium Term Note Programme.
September 2016	USD$550 million of corporate senior secured 10.5 year notes were issued in the US 144A bond market.
October 2016	Transurban Queensland issued AUD$200 million of 7 year senior secured Australian Medium Term Notes.
November 2016	Transurban Queensland issued CHF 175 million of 10 year senior secured Swiss bonds under the Euro Medium Term Note Programme.
	A 3 year corporate working capital facility for AUD$100 million and an AUD$50 million Letter of Credit facility were established as part of a refinancing of existing facilities.
December 2016	Transurban Queensland issued AUD$774 million of US Private Placement Notes. The notes were issued in four tranches of approximately AUD$204 million, AUD$293 million, AUD$177 million and AUD$100 million with tenors of 10,12,15 and 18 years respectively. Settlement occurred in December with the 18 year tranche settled in January 2017.
	A 5 year corporate working capital facility for AUD$125 million was established as part of a refinancing of existing facilities.
	Cross City Tunnel non-recourse debt was refinanced with a new non-recourse 3 year term bank debt facility of AUD$278 million.
	Transurban Queensland established a new 3 year AUD$820 million bank debt facility and refinanced an existing 3 year AUD$25 million working capital facility.
March 2017	Westlink M7 issued AUD$535 million of 10 and 10.5 year Australian Medium Term Notes.
May 2017	Westlink M7 priced AUD$200 million of US Private Placement Notes. The notes will be issued in two tranches of AUD$100 million each with tenors of 12 and 15 years respectively. Settlement is due to occur in August 2017.

There were no changes to the Transurban Group ratings provided by Standard and Poor's Financial Services LLC rating service, Moody's Investors Services Inc. or Fitch Ratings Inc. during the period.

Funding structure

The following diagram shows the non-recourse and corporate debt balances of the Group.



1. *Debt facilities including undrawn available facilities, in the base currency of debt before hedging.*
2. *Corporate working capital facilities are bilateral facilities and can be drawn in AUD and/or USD.*
3. *Ratings are presented as "S&P/Moody's/Fitch". Where debt is unrated, this is denoted as "-".*

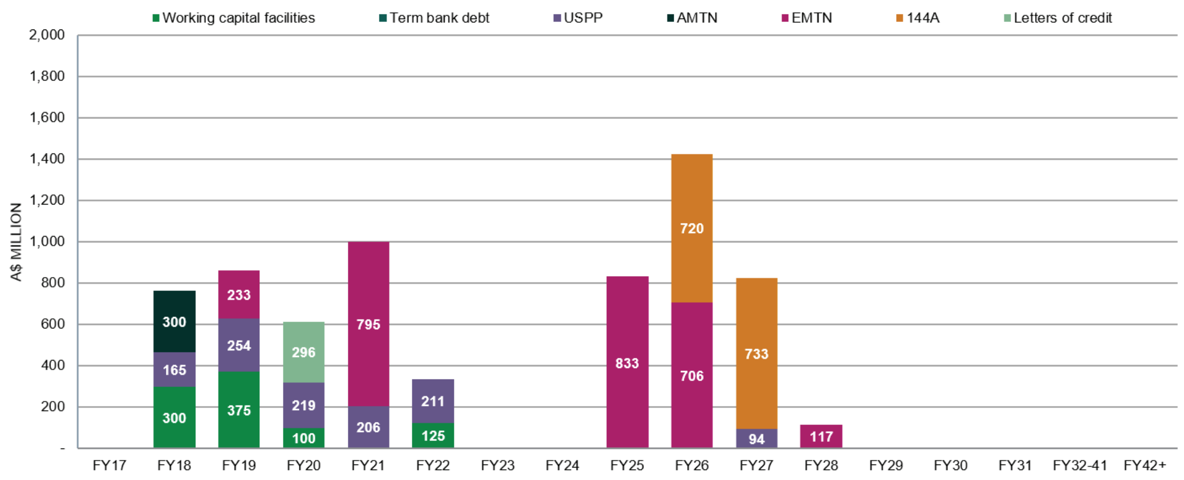
Operating and financial review (continued)

Debt maturity profiles

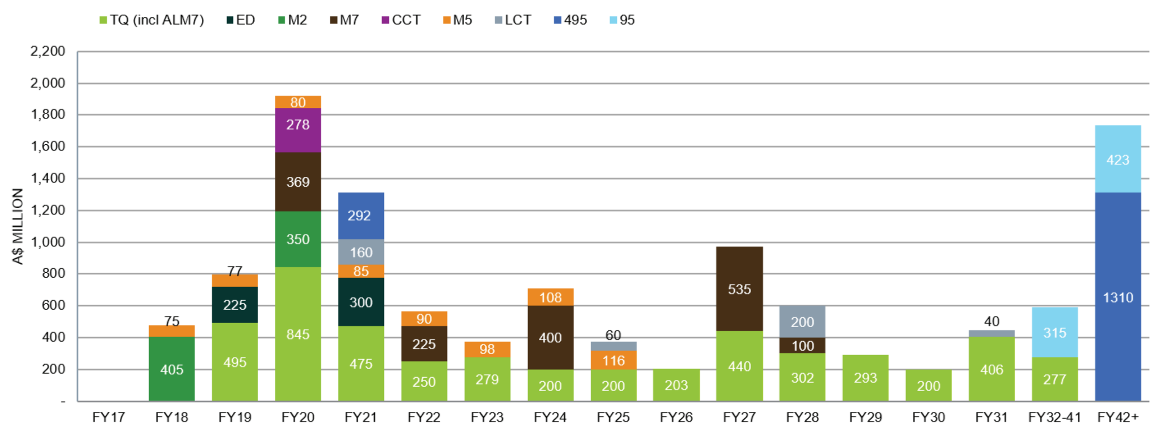
The following charts show the Group's current debt maturity profile based on the total facilities available. The charts show the debt in the financial year it matures and in the case of the non-recourse debt, the full value of the debt facilities has been shown as this is the value of debt for refinancing purposes.

The debt values are shown at 30 June 2017, with US, Euro, Canadian and Swiss denominated debt converted at the hedged rate where cross currency swaps are in place. Unhedged US dollar debt has been converted to Australian dollars at spot exchange rate ($0.77 at 30 June 2017).

Corporate debt maturity profile



Non-recourse debt maturity profile



Financial risk management

Transurban's exposure to financial risk management and its policies for managing that risk can be found in the Financial Risk Management notes in the financial statements – note B15. This section discusses Transurban's hedging policies, credit risk, interest rate risk and liquidity and funding policies.

Operating and financial review (continued)

Corporate activities

People

At Transurban we aim to create an environment where our people are encouraged to reach their full potential, and are recognised and rewarded for their achievements. We aim to celebrate the different cultures of our employees and believe it is important our workforce reflects the broader population and communities in which we operate.

This year, our internal employee opinion survey (EOS) showed that 80% of employees are proud to work for Transurban and 85% believe in our values of Integrity, Collaboration, Accountability, Ingenuity and Respect.

The EOS survey rated Leadership Effectiveness at 82%, which is significantly higher than the Global norm and in line with the Best in Class norm of top 25% of organisations.

We are dedicated to the ongoing development of our existing and future leaders. Senior leaders attend an annual Senior Leadership Program, while there is a continued focus on building greater leadership capability through other levels of the organisation and attracting the next generation of Transurban leaders and professional / technical experts through our graduate program.

Transurban conducts a bi-annual talent review with the Executive and Senior Leadership teams. This review helps identify high potential individuals who have the ability to move into Senior Leadership or Executive roles, or those who may be able to move laterally outside of their area of technical expertise. In addition, we recognise those individuals with exceptional technical skills that are highly valued by the organisation.

We have developed relationships with key universities enabling the establishment of summer internships for engineering and business graduates and have continued programs including the Monash Industry Team Initiative with 16 students across four teams working on business projects for 12 weeks and our Females Excelling in Engineering and Technology (FEET) program with 47 students completing 35 hours of mentoring across the business in 2017.

We focus on developing a high performance culture through differentiating performance. The Short Term Incentive (‘STI’) program includes formal performance comparisons against peers, which strengthens the link between individual employee performance and Group performance. We offer a range of employee benefits including an employee share scheme and group insurance including salary continuance, death and permanent disablement insurance cover. The EOS survey highlighted an increase in the Performance Excellence index to 73% in 2017.

There is ongoing focus on Diversity and Inclusion, and progressing our key priority areas of gender diversity, cultural diversity and workplace flexibility. In FY2017 we received the Employer of Choice for Gender Equality (EOCGE) award for the third year in a row. We were also recognised through the Equileap Diversity Award as a top 20 company globally for gender equality; received the Best Action for Supporting Diversity in the ITS Workforce Award; and Engineers Australia Most Ambitious Company in Gender Diversity award. We conduct an annual pay equity review with a focus on achieving a zero pay gap.

At Transurban, we believe in a holistic approach to wellbeing. In addition to being healthy; physically and mentally, we encourage employees to be connected with others in the community and recognise achievement at work.

We have a number of awareness and education programs as well as an awards program to recognise employees’ achievements.

The Transurban Annual Awards recognise employees’ achievements in customer service, diversity, ingenuity, safety, sustainability and overall business excellence. We recognise both what our employees do and how they go about it through the thanksTU program, which encourages employees to reward a colleague for an achievement which demonstrates our values.

Our employee volunteer program gives employees the opportunity to take one day of paid volunteer leave each year. With strong support demonstrated through feedback and participation rates in this program, it remains a key area of focus for our Wellbeing Program.

Operating and financial review (continued)

Sustainability

Transurban's vision 'to strengthen communities through transport' is closely supported by our sustainability strategy. We are committed to making sure that our roads help make our cities great places to live and work — both now and in the future.

Transurban's sustainability strategy has three key pillars:

- Be good neighbours: We will work with communities to create shared value with our business by anticipating, listening and responding to community needs;
- Use less: We will minimise natural resource use and create resource efficiencies during development, operations and maintenance to reduce the impacts of our operations on the community and environment; and
- Think long term: We will look for innovative transport solutions that will create efficient, safe transport networks and thriving cities.

During the period Transurban continued with a range of social and environmental sustainability initiatives including:

- Three major projects awarded an independent Infrastructure Sustainability (IS) Design Rating: a 'Leading' rating for NorthConnex and 'Excellent' ratings for Gateway Upgrade North and CityLink Tulla Widening;
- Completion of two roadside regeneration projects in Melbourne and Sydney, including iconic public art and partnering with Landcare Australia to restore native vegetation, improve biodiversity and community amenity;
- Commitment of land and funding for Transurban's Heathwood Community Development project, a community facility to be delivered as part of the Logan Enhancement Project;
- Partnership with Neuroscience Research Australia (NeuRA) to establish the Transurban Road Safety Centre, providing state-of-the-art facilities and equipment to study practical injury prevention strategies;
- Three new innovation grants awarded to research groups investigating smart road surface materials, LED road safety sensors and lighting, and improved motorcycle safety barriers;
- Community investment through major local partnerships, grants, employee volunteering and support for a range of community and charitable organisations;
- Commencing the next stage of Transurban's reconciliation journey through the release of our 'Innovate' Reconciliation Action Plan (RAP);
- Customer service improvements including Transurban's new retail brand Linkt, new customer account choices, mobile phone apps and customer engagement initiatives;
- Continued efforts towards our '10-in-10' commitment to reduce our energy consumption by 10% by 2023;
- Thought leadership and practical trials on road funding reform through Transurban's Road Usage Study; and
- Recognition in independent sustainability benchmarks and awards including the Dow Jones Sustainability Index (DJSI) World Index and Industry Mover Award.

Transurban provides regular progress reports to the Board on our focus areas. The annual Sustainability Report summarises the year's activities and outlines commitments for the coming years.

The 2017 Sustainability Report will be published in October 2017 and will be available via the Transurban website.

Operating and financial review (continued)

Health, Safety & Environment

Improving the Health, Safety and Environment (HSE) performance at Transurban continues to be a primary focus for our business. During the year ended 30 June 2017, we were committed to managing the key HSE risks and integrating HSE into every part of our business.

Tragically, our contractor on the NorthConnex project suffered an employee fatality during the year. We also had 6 contractor lost time injuries (LTI) across our assets (3) and major projects (3), two employee LTI's, which resulted in the employee recordable injury rate (RIFR) for the year being 0.95, which is above our zero target. After more than 10 million hours across Transurban assets and major projects, the contractor RIFR was below the 6.38 target at 4.79.

Customer road safety is key to our business. The Road Incident Crash Index (RICI) reduced to 4.85 over the past 12 months, which was above our 4.16 target.

Consistent with our focus on improving HSE performance, we undertook a number of initiatives and supported critical research to enhance the safety of our customers and the community. These included:

- Partnership with Neuroscience Research Australia (NeuRA) to establish the Transurban Road Safety Centre in Sydney. NeuRA is one of the world's leading centres of neuroscience research and studies practical injury prevention strategies using facilities and equipment that simulate road accidents.
- Introduction of an improved Incident Response Model on CityLink to better manage incidents on our network, clear the road quickly and safely and help keep traffic moving.
- Two major Innovation Grants awarded for road safety research. These included investigating improvements to wire rope barriers for motorcycle safety, and using smart LED sensor lighting embedded into road surfaces to detect and communicate vehicle speed and road safety signals to drivers.
- A range of awareness and education programs to support the United Nation's Global Road Safety Week.
- Strengthening of our Road Safety Strategic Framework and implementing strategic road safety actions that aim to reduce crashes and improve safety on our network. Our strategy and action plans are informed by detailed traffic and incident data from Transurban and public road networks, along with expert advice and research from organisations such as the Australian Road Research Board and Monash University Accident Research Centre.

Business risks and opportunities

The following are key *opportunities* that may impact Transurban's financial and operating result in future periods:

- Ability to leverage capabilities to enhance motorway networks;
- Greater than forecast traffic volumes;
- Integration of consistent technology and systems to enhance network footprint;
- Ability to harness knowledge and experience to drive operations and maintenance;
- Identification of new business opportunities in Transurban's target markets; and
- Application of sustainability initiatives to enhance road user and local community experiences.

The following are key *risks* that may impact Transurban's financial and operating result in future periods:

- Reduced traffic volumes or an inability to grow traffic volumes;
- Change in government policies;
- Competitor growth or behaviour;
- Access to suitable financing arrangements;
- Safety incidents through operations or driver behaviour;
- Dependency on the services of key contractors and counterparties;
- Unfavourable changes to market or operating conditions;
- External cyber-attacks and failure to protect our information ; and
- Failure of technical infrastructure.

Operating and financial review (continued)

Risk management

Managing risk is an essential part of our business. Key risks are regularly reviewed by the Board, the Audit and Risk Committee and our Executive Committee.

Transurban has a business-wide risk framework in place to help create a consistent and rigorous approach to identifying, analysing and evaluating risks. This framework has various policies, standards and guidelines attached to it, including the Risk Management Policy which can be found in the Corporate Governance section of our website (transurban.com).

The framework is overseen by the Audit and Risk Committee and is actively managed by the Executive Committee. It is consistent with AS/NZ31000:2009 and is subject to regular review by internal audit. Our Audit and Risk Committee Charter is also available in the Corporate Governance section of our website.

Company secretaries

Amanda Street *LLB (Hons), BComm*

Amanda joined Transurban in September 2008 and was appointed as Company Secretary in February 2011. Before joining Transurban, Amanda was Assistant Company Secretary at AusNet Services, and Senior Corporate Counsel at National Australia Bank. She has over 17 years of legal, company secretariat and other relevant experience. Prior to her in-house work, Amanda was a solicitor specialising in M&A work with Australian law firm King & Wood Mallesons.

Julie Galligan *LLB, BA*

Julie joined Transurban in November 2008 and was appointed as General Counsel in February 2012. Julie has over 17 years of legal experience in private practice and in-house roles in both Australia and the United Kingdom. Prior to joining Transurban, Julie worked in-house at Associated British Ports and at law firms, SJ Berwin LLP and MinterEllison.

Meetings of directors

The number of meetings of the Boards of Directors of THL, TIML and TIL and each Board Committee held during the year ended 30 June 2017, and the number of meetings attended by each Director are set out in the following tables.

Meetings of the Boards of Directors of THL, TIML and TIL were held jointly.

	Board of Directors		Audit & Risk Committee[1]		Remuneration & HR Committee[2]		Nomination Committee[3]	
	Attended	*Held*	*Attended*	*Held*	*Attended*	*Held*	*Attended*	*Held*
Lindsay Maxsted	9	9	6	6	5	*	3	3
Scott Charlton	9	9	6	*	5	*	3	*
Neil Chatfield	9	9	6	6	5	5	3	3
Robert Edgar	9	9	6	6	5	5	2	3
Samantha Mostyn	9	9	1	*	5	5	2	3
Christine O'Reilly	9	9	6	6	2	*	3	3
Rodney Slater	9	9	*	*	1	*	3	3
Peter Scott	9	9	6	4	1	*	3	3
Jane Wilson[4]	4	4	2	*	2	1	2	2

** = Not a member of the relevant Committee*

1. *Scott Charlton, Samantha Mostyn and Jane Wilson were not members of the Audit and Risk Committee but attended meetings as observers during the year. Peter Scott became a member of the Audit and Risk Committee on 1 September 2016. He attended meetings prior to that date as an observer.*
2. *Lindsay Maxsted, Scott Charlton, Christine O'Reilly, Rodney Slater and Peter Scott were not members of the Remuneration and Human Resources Committee but attended meetings as observers during the year. Scott Charlton was excluded from discussions involving his remuneration during meetings that he attended. Jane Wilson became a member of the Remuneration and Human Resources Committee on 23 May 2017. She attended meetings prior to that date as an observer.*
3. *Scott Charlton was not a member of the Nomination Committee but attended meetings as an observer during the year.*
4. *Jane Wilson was appointed to the Board of Directors on 1 January 2017.*

Directors

The following persons were Directors of THL, TIML and TIL during the whole of the financial year and up to the date of this report, unless otherwise stated:

Lindsay Maxsted
Dip Bus, FCA, FAICD

Chair and independent Non-executive Director

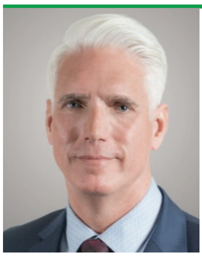
Director since 1 March 2008. Chair since 12 August 2010.

Chair of the Nomination Committee and a member of the Audit and Risk Committee.

Lindsay is currently Chair and a Non-executive Director of Westpac Banking Corporation, and a Non-executive Director of BHP Billiton Limited and BHP Billiton plc. He is the Managing Director of Align Capital Pty Limited and the Honorary Treasurer of Baker Heart and Diabetes Institute.

Lindsay was formerly a partner of KPMG Australia and was the CEO of that firm from 2001 to 2007. His principal area of practice prior to this was in the corporate recovery field managing a number of Australia's largest insolvency / workout / turnaround engagements.

As at the date of this report, Lindsay holds interests in 70,258 stapled securities.



Scott Charlton
BSci, MBA

Chief Executive Officer and Executive Director

Director since 16 July 2012. CEO since 16 July 2012.

Scott joined Transurban from Lend Lease, where he was Group COO (from November 2011) and Group Director of Operations (from March 2010). Prior to this, Scott held several senior appointments across a range of infrastructure entities and financial institutions, including as CFO of Leighton Holdings Limited (2007 to 2009) and as Managing Director of Deutsche Bank in Australia and Hong Kong (1995 to 2003).

Scott is currently Deputy Chair of Infrastructure Partnerships Australia and is a member of the Monash Industry Council of Advisors, the Business Council of Australia, and of Roads Australia.

As at the date of this report, Scott holds interests in 1,197,095 stapled securities (held indirectly), 935,843 Performance Awards (LTIs - unlisted) and 100,843 STI Deferred Securities (unvested).

Directors (continued)

Neil Chatfield
M.Bus, FCPA, FAICD

Independent Non-executive Director

Director since 18 February 2009.

Chair of the Audit and Risk Committee and a member of the Remuneration and Human Resources Committee and the Nomination Committee.

Neil is an established Executive and Non-executive Director with extensive experience across all facets of company management, and with specific expertise in financial management, capital markets, mergers and acquisitions, and risk management.

Neil is currently the Chair and a Non-executive Director of Seek Limited and Costa Group Holdings Limited. Neil is also a Non-executive Director of Iron Mountain Inc and Chair of Launch Housing, a not-for-profit organisation. He was previously a Non-executive Director of Recall Holdings Limited (to May 2016) and Chair and a Non-executive Director of Virgin Australia Holdings Limited (to May 2015).

Neil previously served as Executive Director and the CFO of Toll Holdings (from 1997 to 2008).

As at the date of this report, Neil holds interests in 62,328 stapled securities.

Robert Edgar
BEc (Hons), PhD, FAICD

Independent Non-executive Director

Director since 21 July 2009.

Chair of the Remuneration and Human Resources Committee and a member of the Audit and Risk Committee and the Nomination Committee.

Bob has over 30 years' experience as a senior executive, with 25 years at ANZ Banking Group in various senior roles, including Deputy CEO, Senior Managing Director, COO, and Chief Economist.

Bob is currently a Non-executive Director of Djerriwarrh Investments Limited and Linfox Armaguard Pty Limited. He is Chair of the Hudson Institute of Medical Research. Bob was previously Chair and a Non-executive Director of Federation Centres (to June 2015), and a Non-executive Director of Asciano Limited (to August 2016).

As at the date of this report, Bob holds interests in 32,009 stapled securities.

Directors (continued)

Samantha Mostyn
BA, LLB

Independent Non-executive Director

Director since 8 December 2010.

Member of the Remuneration and Human Resources Committee and the Nomination Committee.

Sam has significant experience in the Australian corporate sector both in Executive and Non-executive capacities, in particular in the areas of human resources, corporate and government affairs, sustainability management and diversity.

Sam is currently Chair and a Non-executive Director of Citigroup Pty Limited and a Non-executive Director of Virgin Australia Holdings Limited, and the Mirvac Group. She is also a Director of the Sydney Swans Football Club, President of the Australian Council for International Development and Chair of Carriageworks. She was previously a Non-executive Director of Cover-More Group Limited (to April 2017).

Sam is currently Deputy Chair of the Diversity Council of Australia, and is a member of the NSW Climate Change Council, the advisory boards of ClimateWorks Australia, the Crawford School of Government and Economics, Australian National University and Commissioner of the Business and Sustainable Development Commission.

As at the date of this report, Sam holds interests in 18,215 stapled securities.

Christine O'Reilly
BBus

Independent Non-executive Director

Director since 12 April 2012.

Member of the Audit and Risk Committee and the Nomination Committee.

Christine has over 30 years' experience in the finance and infrastructure sectors in various roles including as Co-Head of Unlisted Infrastructure at Colonial First State Global Asset Management and as CEO of the GasNet Australia Group.

Christine is currently a Non-executive Director of CSL Limited, Energy Australia Holdings Pty Limited, and Medibank Private Limited. She is also a Non-executive Director of Baker Heart and Diabetes Institute.

As at the date of this report, Christine holds interests in 20,406 stapled securities.

Rodney Slater
J.D., BS

Independent Non-executive Director

Director since 22 June 2009.

Member of the Nomination Committee.

Rodney is a partner in the Government Relations and Lobbying, Transportation, Infrastructure and Local Government, and Construction Project groups of Washington, DC firm Squire Patton Boggs where he has been a leader of its transportation practice since 2001. He previously served as US Secretary of Transportation (from 1997 to 2001) and was the Administrator of the Federal Highway Administration (1993 to 1996).

In the USA, Rodney's current directorships include Kansas City Southern (Railroads), Verizon Communications Inc. and Southern Development Bancorporation. He was previously a Director of Parsons Brinckerhoff, Delta Airlines, Northwest Airlines, WS Atkins plc and ICx Technologies Inc. Rodney is a Director of the Congressional Awards Foundation and United Way Worldwide.

As at the date of this report, Rodney holds interest in 3,000 stapled securities.

Peter Scott
BE (Hons), M.Eng.Sc, Hon FIEAust, MICE

Independent Non-executive Director

Director since 1 March 2016.

Member of the Audit and Risk Committee and the Nomination Committee.

Peter has over 20 years' senior business experience in publicly listed companies and considerable breadth of expertise in the engineering and finance sectors. He was formally the CEO of MLC and Head of National Australia Bank's Wealth Management Division, and held a number of senior positions with Lend Lease.

His pro-bono activities include being Chair of Igniting Change Limited, a not-for-profit organisation, a member of the Prime Minister's Community Business Partnership, and a Fellow of the Senate of the University of Sydney. He was previously Chair and a Non-executive Director of Perpetual Equity Investment Company Limited (to June 2017) and Perpetual Limited (to May 2017) and a Non-executive Director of Stockland Corporation Limited (to August 2016).

As at the date of this report, Peter holds interests in 20,870 stapled securities.

Directors (continued)

Jane Wilson
MBBS, MBA, FAICD

Independent Non-executive Director

Director since 1 January 2017.

Member of the Remuneration and Human Resources Committee and the Nomination Committee.

Jane has over 20 years' experience as a Director of companies, Government-owned corporations and not-for-profit organisations. She has considerable experience in finance, banking and medicine.

Jane is a Guardian of the Future Fund, Australia's Sovereign Wealth Fund, and a Non-executive Director of Sonic Healthcare Limited. She is also a Non-executive Director of Opal Aged Care Limited and the General Sir John Monash Foundation. She was previously Deputy Chancellor of the University of Queensland and a Director of the Winston Churchill Memorial Trust.

Jane was awarded the 2016 Australian Institute of Company Directors Queensland Gold Medal Award for contribution to business and the wider community.

As at the date of this report, Jane holds interests in 4,000 stapled securities.

2017 Remuneration report (audited)

Introduction

The Transurban Board is pleased to present the Remuneration Report ('Report') for the Transurban Group ('Transurban' or the 'Group') for the year ended 30 June 2017 ('FY17'), prepared in accordance with the Corporations Act 2001 (Cth) and the Corporations Regulations 2001 (Cth). This Report contains detailed information regarding the remuneration arrangements for the Directors and senior executives who were key management personnel ('KMP') of the Group during FY17.

Key Management Personnel

The following table lists the Group's KMP during FY17.

Non-executive Directors
Lindsay Maxsted, Chair
Neil Chatfield
Robert Edgar
Samantha Mostyn
Christine O'Reilly
Peter Scott
Rodney Slater
Jane Wilson (from 1 January 2017)

Current senior executives
Scott Charlton, Executive Director and Chief Executive Officer ('CEO')
Tony Adams, Group General Manager, Project Delivery and Operational Excellence
Jennifer Aument, Group General Manager, North America
Wesley Ballantine, Group General Manager, Queensland
Andrew Head, Group General Manager, New South Wales
Michele Huey, Group General Manager, Strategy
Sue Johnson, Group General Manager, Customer Operations and Human Resources
Lisa Tobin, Group General Manager, Technology
Vin Vassallo, Group General Manager, Victoria
Adam Watson, Chief Financial Officer

Contents

Remuneration report (continued)

1. Remuneration snapshot

The Board is committed to an executive remuneration framework that is focused on driving a performance culture and linking pay to the achievement of the Group's strategy and business objectives that in turn drive long-term security holder value.

Transurban's remuneration framework is reviewed annually taking into consideration security holder and other stakeholder feedback, market expectations and regulatory developments.

At the 2016 Annual General meeting ('AGM'), the remuneration framework received strong support from security holders, with a 97.14% vote in favour of the resolution to adopt the 2016 Remuneration Report (2015: 99.52%).

The Board considers that the current remuneration framework offers a range of mechanisms to balance sensible risk management and motivate executives to deliver outstanding results.

Transurban's core strategy is to partner with Governments to provide effective and innovative urban road infrastructure. Consistent with this strategy, the Group has significantly expanded its portfolio with acquisitions and development projects in Australia and the USA, leveraging its urban networks and partnering with Governments to develop transport solutions in our core markets of the east coast of Australia and North America. These activities have helped deliver against the Group's stated objective of growing distributions for security holders.

The remuneration outcomes this year reflect Transurban's strong financial results and achievements across the Group's operational and development activities. These results are outlined in more detail in the Operating and Financial Review within the Directors' Report.

Key measures of the results achieved in FY17 included:

- 10.1% increase in underlying proportional EBITDA;
- 27.4% increase in free cash flow per security; and
- 13.2% increase in distributions paid to security holders.

These results have been achieved during a period of significant development activity for the business, reflected in the substantial development pipeline which includes major enhancement projects across all markets. This contributed to an 11.1% increase in proportional net costs (excluding significant items) to support strategic growth and development projects and underlying business activity.

The Board and the Remuneration and Human Resources Committee believe that the remuneration outcomes reflect alignment between rewarding senior executive efforts in meeting or exceeding key targets and recognising security holder outcomes.

2. Changes to KMP

On 1 July 2017, Henry Byrne was appointed to the newly created role of Group General Manager, Corporate Affairs. Henry has been an employee of the Group since September 2007, with his most recent role being General Manager Investor Relations and Corporate Affairs. Henry's remuneration package will be included in the 2018 Report.

Also effective 1 July 2017 were three temporary changes to the responsibilities of KMP as detailed below. It is expected that these new roles will remain in effect until 30 June 2018. Remuneration packages will be included in the 2018 Report.

Group General Manager, NSW – Development

Andrew Head (formerly Group General Manager, NSW) has been seconded to the role of Group General Manager, NSW – Development. This role is focused on potential development opportunities within the New South Wales market.

Group General Manager, NSW Business Operations

Michele Huey (formerly Group General Manager, Strategy) has been seconded to the role of Group General Manager, NSW Business Operations to manage the operations within the New South Wales business.

Group General Manager, Queensland and Group Strategy

Wes Ballantine (formerly Group General Manager, Queensland) has been seconded to the role of Group General Manager, Queensland and Group Strategy. Wes' former role has been expanded to incorporate the leadership of the Group's Strategy function.

3. Remuneration governance

A. Board and Remuneration and Human Resources Committee responsibilities

The Remuneration and Human Resources Committee assists the Board in fulfilling its responsibilities relating to the remuneration of Non-executive Directors, the remuneration of, and incentives for, the CEO and other senior executives, remuneration budgets for all employees and remuneration practices, strategies and disclosures generally.

It is critical that the Remuneration and Human Resources Committee is independent of management when making decisions affecting employee remuneration. Accordingly, the Committee comprises Non-executive Directors, all of whom are independent. Where appropriate, the CEO and the Group General Manager, Customer Operations and Human Resources attend Committee meetings, however they do not participate in formal decision making.

The members of the Committee are Robert Edgar (Chair), Samantha Mostyn, Neil Chatfield, and Jane Wilson (from 23 May 2017). Further details regarding the Committee are set out in the Directors' Report.

B. Use of remuneration consultants

The Remuneration and Human Resources Committee may seek and consider advice from independent remuneration consultants where appropriate. Any advice from consultants is used to guide the Committee and the Board, but does not serve as a substitute for thorough consideration by Non-executive Directors.

The Group has a protocol in place governing the appointment of remuneration consultants and the manner in which any recommendations made by those consultants concerning the remuneration of KMP are to be provided to the Group, and in particular, the circumstances in which management may be given access to those recommendations. The purpose of the protocol is to ensure that any remuneration recommendations provided by consultants are provided without undue influence by KMP.

During FY17, consultants did not provide the Remuneration and Human Resources Committee with remuneration recommendations relating to KMP. Benchmark data only was provided to the Committee.

C. Dealing in securities

In accordance with the Group's Dealing in Securities Policy, employees who have awards under a Group equity plan may not hedge against those awards. In addition, senior executives may not hedge against entitlements that have vested but remain subject to a holding lock. Directors and employees are also prohibited from entering into margin lending arrangements using Transurban stapled securities as security.

D. Minimum security holding

The Board has endorsed minimum security holding guidelines for Non-executive Directors, the CEO and other senior executives. The guidelines recommend that all participants build and maintain a minimum security holding of Transurban stapled securities equal in value to their fixed annual remuneration (excluding superannuation). The minimum stapled security holding can be accumulated over a five year period.

Remuneration report (continued)

4. Senior executive remuneration policy and structure

The Group's executive remuneration strategy is designed to attract, retain and motivate a highly qualified and experienced management team with the necessary skills and attributes to lead the Group in achieving its business objectives. The strategy also aims to encourage management to strive for superior performance by rewarding the achievement of targets that are challenging, clearly understood, and within the control of individuals to achieve through their own success.

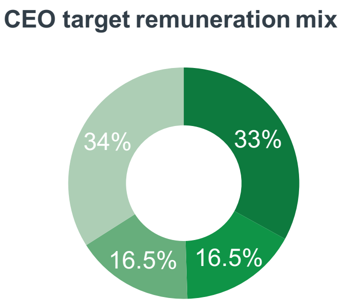
A. Remuneration framework

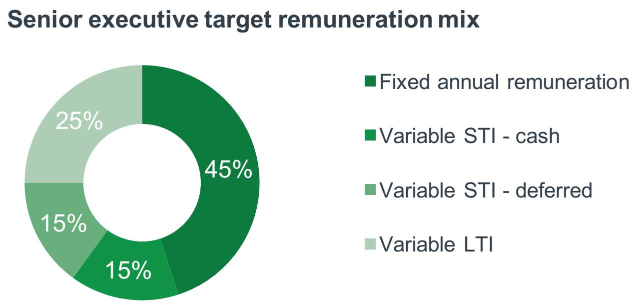
The Group's remuneration framework provides a combination of incentives intended to drive performance against the Group's short and longer term objectives. The framework for the CEO and other senior executives comprises three components:

- **Total Employment Cost ('TEC'):** fixed remuneration component comprising salary, superannuation and other prescribed benefits;
- **Short Term Incentive ('STI'):** an 'at risk' component, awarded on performance over a 12 month period against pre-determined individual and Group performance measures that comprises both a cash component and a component deferred into equity; and
- **Long Term Incentive ('LTI'):** an 'at risk' equity component, awarded on the achievement of pre-determined internal and external performance measures over a three year period.

B. Remuneration mix

A significant proportion of senior executive remuneration is 'at risk' to provide alignment with the interests of security holders and to drive performance. The remuneration mix is designed to achieve a balanced reward for achievement of immediate objectives and the creation of long term sustainable value. The remuneration mix for target performance (100% vesting of STI and LTI Plans) for senior executives is outlined in the diagram below.





Changes to CEO remuneration package

As disclosed in last year's report, the CEO's remuneration package for FY17 was revised to better align total remuneration to the market comparator group, including through a more appropriate weighting for each remuneration component.

C. Fixed total employment cost ('TEC')

Fixed TEC is set with reference to the market median, using the ASX 10-30 as the primary reference. Remuneration packages (including TEC levels) are reviewed annually by the Remuneration and Human Resources Committee taking into consideration an individual's role, experience and performance, as well as relevant comparative market data provided by remuneration consultants. TEC levels are also reviewed on a change in role.

Remuneration report (continued)

D. Short term incentive ('STI')

Description

Eligible permanent Group employees, including the CEO and other senior executives, participate in the annual STI plan, which puts a proportion of remuneration 'at risk' subject to meeting specific pre-determined Group and individual performance measures linked to Group objectives.

Performance Period

The performance period is the financial year preceding the payment date (i.e. 1 July 2016 – 30 June 2017).

Opportunity

For 'at-target' performance, the CEO has the opportunity to receive 100% of TEC and all other senior executives have the opportunity to receive 67% of TEC. The minimum STI an individual can receive is 0% (if targets are not met) and the maximum is 150% of the STI opportunity, which is only awarded for exceptional performance.

Payment and deferral

The awarded STI for the CEO and other senior executives is settled 50% in cash and 50% is deferred. For Australian employees, the deferred component is Transurban stapled securities, which are held on trust for two years following the performance period and are restricted from trading until vesting. USA employees were awarded deferred cash awards in FY17 and in prior years. Commencing 1 July 2017, STI deferred components awarded to USA employees will also be deferred into Transurban stapled securities with the same trading restrictions as Australian employees. The deferred securities and deferred cash awards participate in dividends and/or distributions paid.

The number of securities or awards is determined by dividing the amount to be deferred by a 20 day Volume Weighted Average Price (VWAP) of securities up to and including the last business day of the performance period.

Performance measures

Performance measures are a mix of Group and individual measures. The diagram below illustrates the weighting of the two performance measures.

Individual KPIs are unique to the individual's area of accountability. Individuals have a clear line of sight to KPIs and are able to directly affect outcomes through their own actions.

The total STI performance outcome is calculated: (Individual STI Outcome % + (Individual STI Outcome % x Group Outcome %)) ÷ 2.

Why are these performance measures used

Proportional EBITDA is one of the primary measures the Board uses to assess the operating performance of the Group. It reflects the contribution from individual assets to the Group's operating performance and focuses on elements of the result that management can influence to drive improvements in short term earnings. The Board believes proportional EBITDA provides a better reflection of the underlying performance of the Group's assets than statutory EBITDA.

Proportional Net Costs reflects management's ability to influence the expenditure of the business. Strong cost management throughout the business drives an increase in proportional EBITDA and free cash flow and ultimately security holder value.

The HSE measures focus on improving the Group's HSE culture and reducing workplace injuries for employees and contractors, as well as customer safety.

How is the annual pool determined

The Board approves a total STI pool to be distributed. One half of the pool represents the individual component of the STI (capped at 100%) and the second half of the pool represents the individual component of the STI, multiplied by the Group's performance outcome to represent the Group's performance component (capped at 150%). The Board has discretion as to the proportion of the pool that will be distributed each year.

Vesting

Performance against Group measures is assessed by the Board and the results of key elements are independently validated. The Board confirms final outcomes for individual and Group performance and has discretion to adjust the performance conditions and outcomes.

Payment of STI	The payment of the cash component and the allocation of deferred securities will occur in August 2017 following finalisation and approval of the Group's audited results and the Board's approval of individual outcomes.
Cessation of employment	If employment ceases before performance is assessed, generally there is no entitlement to receive any STI award. Any unvested deferred securities will lapse, unless the plan rules provide otherwise or the Board otherwise resolves.
Clawback	Fraudulent or dishonest behaviour will result in the forfeiture or clawback of any unvested awards. Further, at the discretion of the Board, awards are subject to forfeiture or clawback where there is a financial misstatement circumstance or the allocation of awards was made in error, on the basis of the misrepresentation or an omission, or on the basis of facts or circumstances that were later proven to be untrue or inaccurate.

STI Group performance measures in detail

Group Measure	Weighting	Description of Measure
Proportional EBITDA (EBITDA: earnings before interest, taxes, depreciation and amortisation)	20%	**Targets**: the target for 100% vesting for FY17 was $1,605 million with straight line vesting between the minimum target of 50% vesting of $1,573 million and 150% vesting of $1,637 million. To determine the targets for the Proportional EBITDA measure of the STI program, the Board utilises the annual budget as the primary input. The budget incorporates base business growth derived from network-wide traffic performance, price growth and impacts of inflation and adjusts for events such as: construction and project completion and the impact of acquisitions. When approving the budget, the Board ensures that sufficient stretch is incorporated. This is achieved through the analysis of the core assumptions underpinning the budget and also through consideration of the quantifiable risks and opportunities that can influence the Group's financial performance. The budget incorporates directly controllable initiatives including road safety, lane availability, operational efficiencies and the impact of development activity. Once the budget has been finalised, the Board determines the STI targets. The FY17 STI targets excluded Transurban Queensland integration costs and a budget for discretionary research and development initiatives. The targets use a constant currency for operations within the USA[1]. **Definition**: Proportional EBITDA is the aggregation of EBITDA from each asset multiplied by the Group's percentage ownership, as well as any contribution from Group functions. Proportional EBITDA figures used to assess performance are included in note B4 of the audited financial statements.
Proportional Net Costs	20%	**Targets**: the target for 100% vesting for FY17 was $375 million with straight line vesting between the minimum target of 50% vesting of $394 million and 150% vesting of $356 million. To determine the targets for the Proportional Net Cost measure of the STI program, the Board utilises the annual budget as the primary input. When approving the budget, the Board ensures that sufficient stretch is incorporated. This is achieved through the analysis of the core assumptions underpinning the budget and also through consideration of the quantifiable risks and opportunities that can influence the Group's financial performance. Once the budget has been finalised, the Board determines the STI targets. The FY17 STI targets excluded Transurban Queensland integration costs and a budget for discretionary research and development initiatives. The targets use a constant currency for operations within the USA[1]. **Definition:** Proportional Net Costs are calculated as total costs less fee and other revenues. This measure encourages and allows management to incur additional costs where these are justified by increased revenue results.

1. *Calculated by translating the monthly budgeted results for the USA business (Greater Washington Area) at the monthly spot rate used to translate the reported monthly results.*

Health, Safety and Environment ('HSE')	10%	The HSE KPI target was a combination of a lead indicator (leaders recording proactive HSE events) and four lag indicators. The diagram below illustrates the performance measures within the lag indicators. Targets were set with straight line vesting between 0% and 150%.  **Targets**: the targets for the lag indicators for 100% vesting for FY17 were as follows: ▪ Recordable Injury Frequency Rate – zero for employees and 6.38 for contractors (10% reduction on FY16 outcome); ▪ Road Injury Crash Index – 4.16 (9% reduction over three years commencing FY14 outcome); ▪ Road Safety Action Plans – All four Regional Road Safety Actions Plans in place and actions tracking to target; and ▪ Incident close out rate – All incidents with an actual consequence rating of moderate and above, all near misses with a potential consequence rating of moderate and above and all recordable incidents where Transurban has control. Incidents are to be investigated and investigations closed out within three days of investigation due date. The FY17 target was 75% of incidents closed within three days of investigation due date.
Individual KPIs	50%	Individual KPIs related to critical business measures and are not disclosed due to the commercially sensitive nature of these targets.

E. Long term incentive ('LTI')

Description	Participation in the LTI plan is offered to the CEO and other senior executives, and a very limited number of other employees nominated by the CEO and approved by the Board. Grants are made in the form of performance awards at no cost to the recipient. Each performance award is an entitlement to receive a Transurban stapled security, or an equivalent cash payment, on terms and conditions determined by the Board, subject to the achievement of vesting conditions.
Performance Period	The three financial years commencing on 1 July in the year the grant is made.
Opportunity	The CEO's opportunity is 103% of TEC and the opportunity for all other senior executives is 56% of TEC. Upon vesting of a LTI plan, the minimum vesting outcome an individual can receive is 0% of the awards due to vest (if the performance measures are not achieved) and the maximum vesting outcome an individual can receive is 100% of the awards due to vest.
Performance measures	Two performance measures are used to determine the number of awards that will vest at the end of the performance period; relative Total Shareholder Return ('TSR') against a bespoke comparator group and Free Cash Flow ('FCF') (each with a 50% weighting).
Why are these performance measures used	TSR is a relative, external, market-based performance measure against those companies with which the Group competes for capital. It provides a direct link between executive reward and security holder return. TSR measures total return on investment of a security, taking into account both capital appreciation and distributed and/or dividend income which was reinvested on a pre-tax basis. Growth in FCF per security reflects the Group's continued focus on the maximisation of free cash. The Group seeks to consistently grow its distributions year on year and to align security holder distributions with FCF per security.

Allocation	**TSR component**: An independently determined fair value allocation valuation is applied to this component of the LTI. **FCF component**: An independently determined face value allocation valuation (discounted for distributions and/or dividends foregone throughout the performance period) is applied to this component of the LTI. The Board regularly considers the most appropriate measures for the Group and believes that fair value is the correct measure for the TSR component of the LTI awards as it is a market based measure and the inclusion of market forces within the calculation is appropriate. Whereas the non-market based performance measure of FCF is more suited to a face value valuation when allocating LTI awards.
Vesting	**TSR component** The Group uses an independent report that sets out the Group's TSR growth and that of each company in the bespoke comparator group. A VWAP of securities for the 20 trading days up to and including the testing date is used to calculate TSR. The level of TSR growth achieved by the Group is given a percentile ranking having regard to the Group’s performance compared to the performance of other companies in the comparator group (the highest ranking company is ranked at the 100th percentile). This ranking determines the extent to which performance awards, subject to this target, vest. **FCF component** The Group's FCF per security percentage growth rate is calculated based on the FCF per security over the three year performance period. The Board determines in its absolute discretion whether the performance awards are settled in Transurban stapled securities or a cash payment of equivalent value. In FY17 and prior years, USA employees have received cash payments upon vesting. Commencing 1 July 2017, all LTI plan offers made to USA employees will be under the same conditions as Australian employees in that the Board in its absolute discretion will determine whether awards are settled in Transurban stapled securities or in cash. Following testing, any awards that do not vest, lapse and any awards that vest are automatically exercised.
Cessation of employment	If employment ceases before the performance measures are tested, generally there is no entitlement to unvested performance awards. Any unvested awards will lapse, unless the plan rules provide otherwise or the Board otherwise resolves.
Clawback	Fraudulent or dishonest behaviour will result in the forfeiture or clawback of any unvested awards. Further, at the discretion of the Board, awards are subject to forfeiture or clawback where there is a financial misstatement circumstance or the allocation of awards was made in error, on the basis of the misrepresentation or an omission, or on the basis of facts or circumstances that were later proven to be untrue or inaccurate.

LTI performance measures in detail

<table>
<tr><th>Group Measure</th><th>Weighting</th><th>Description of measure</th></tr>
<tr><td>Relative TSR</td><td>50%</td><td>Relative TSR is measured against a bespoke comparator group comprising companies in the transport, utilities, real estate, construction and infrastructure Global industry classification standards ('GICS') sectors of the ASX150. The 33 companies in this group for grants made during FY17 were:

Abacus Property Group, AGL Energy Limited, APA Group, Aurizon Holdings Limited, Ausnet Services Limited, Aveo Group, BWP Trust, Charter Hall Group, Charter Hall Retail REIT Unit, Cromwell Property Group, Dexus Property Group, DUET Group, Goodman Group, GPT Group, Growthpoint Properties Australia, Investa Office Fund, Lend Lease Group, Macquarie Atlas Roads Group, Mirvac Group, Qantas Airways Limited, Qube Holdings Limited, Scentre Group, Shopping Centres Australasia Property Group, Spark Infrastructure Group, Spark New Zealand Limited, Stockland, Sydney Airport, Telstra Corporation Limited, TPG Telecom Limited, Transurban Group, Vicinity Centres, Vocus Communications Limited, Westfield Corporation.

The table below shows the differences between the FY17 TSR comparator group and the TSR comparator group for the prior year.

<table>
<tr><th>Companies new to the group in FY17</th><th>Companies excluded in FY17</th></tr>
<tr><td>Vicinity Centres (previously known as Federation Centres), Vocus Communications Limited (previously ranked outside the ASX150).</td><td>Asciano (delisted), CIMIC (Board approved exclusion), iiNET Limited (delisted), Federation Centres (now known as Vicinity Centres), M2 Group (delisted).</td></tr>
</table>

The TSR component of performance awards granted during FY17, will vest on a straight line basis in accordance with the following table:

<table>
<tr><th>The Group's relative TSR ranking in the comparator group</th><th>% of performance awards that vest</th></tr>
<tr><td>At or below the 50th percentile</td><td>Zero</td></tr>
<tr><td>Above the 50th percentile but below the 75th percentile</td><td>Straight line vesting between 50 and 100</td></tr>
<tr><td>At or above the 75th percentile</td><td>100</td></tr>
</table>
</td></tr>
<tr><td>Growth in FCF per security</td><td>50%</td><td>The FCF calculation is included in note B10 of the audited financial statements.

The FCF per security component of performance awards granted during FY17 will vest based on the Group's compound annual growth targets translated into annual FCF per security over the three year performance period, as set out below:

<table>
<tr><th>% annual growth in FCF per security (Distribution base of 45.5 cents per security)</th><th>% of performance awards that vest</th></tr>
<tr><td>Less than 9%</td><td>Zero</td></tr>
<tr><td>Between 9% and 12%</td><td>Straight line vesting between 50 and 100</td></tr>
<tr><td>12% or more</td><td>100</td></tr>
</table>
</td></tr>
</table>

The Group seeks to consistently grow its distributions year on year and to align distributions with FCF per security. The FCF per security may not grow each year in line with distributions. Factors that may cause FCF to fluctuate year on year may include the timing of interest payments, movements in working capital, the impact of major development projects and capital management initiatives. Due to possible fluctuations in FCF, the extent to which distributions are covered by cash may also fluctuate between 90-110% in any given year. This is consistent with the Group's distribution policy of achieving approximately 100% free cash coverage over time. Due to possible fluctuations in FCF, distributions are considered the best point of alignment with security holder expectations for growth in investor returns. In delivering against this measure, the Board also balances the objective of growing distributions with longer dated investments that generate value for the business but may not contribute to distribution growth in the near term. The Group has a number of major projects in development through this period, including the CityLink-Tulla-Widening in Melbourne, NorthConnex in Sydney, the Logan Enhancement Project in Brisbane as well as other potential developments on each of our networks. The Board takes this into account when setting the range to ensure appropriately challenging measures.

For performance awards granted during FY18, the performance target range for growth in FCF per security is between 8% and 10% per annum. This is calculated using the FY17 distribution of 51.5 cents per security as the base and excludes any impact on FCF per security that arises as a result of funding activity that may arise to support the execution or delivery of potential major developments.

5. Group performance, security holder wealth and remuneration

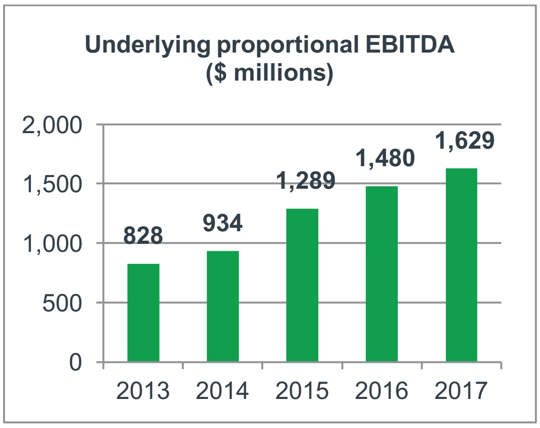
A. Financial highlights for FY17

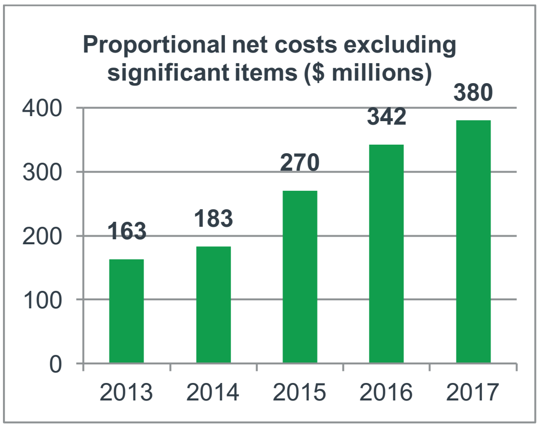
The Group's network portfolio delivered strong EBITDA growth, which was mainly caused by increased traffic across our networks and disciplined cost control. The Group recorded proportional EBITDA excluding significant items of $1,629 million for the financial year ended 30 June 2017, an underlying increase of 10.1% on the prior corresponding period.

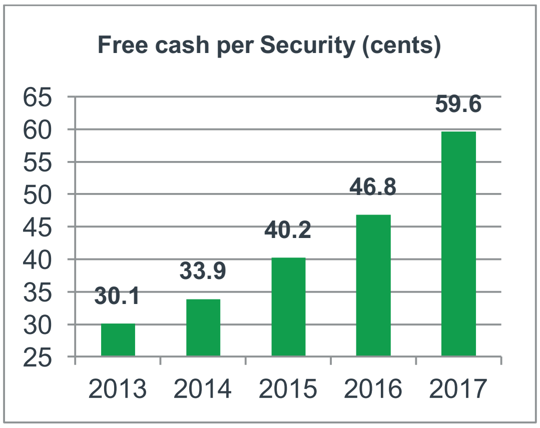
B. Overview of Group performance

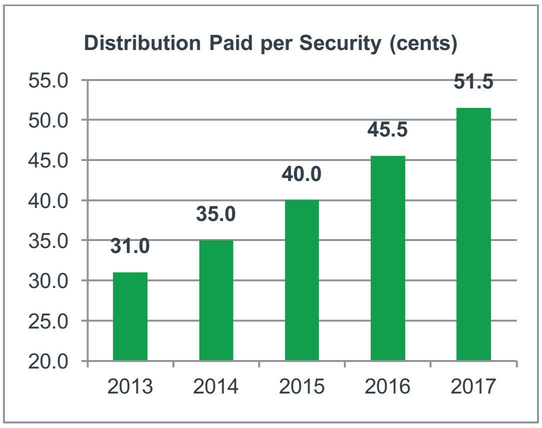
The variable (or 'at risk') remuneration of the CEO and other senior executives is linked to the Group's performance through the use of measures based on the operating performance of the business. The graphs below show the Group's performance over the past five years including metrics used to determine components of STI and LTI awards.

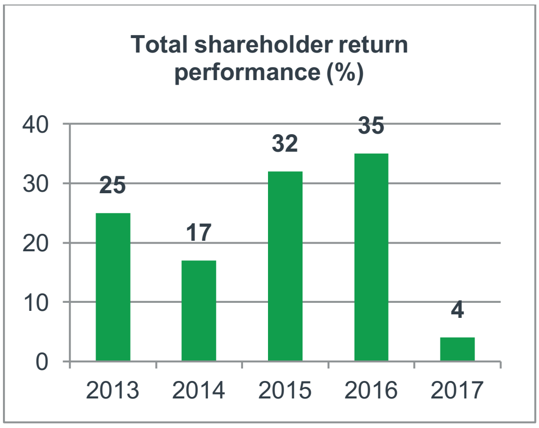
Financial measures











6. Senior executive remuneration outcomes for FY17

A. STI Outcomes for FY17

Group performance in respect of the proportional EBITDA, proportional Net Costs and HSE STI performance measures for FY17 was assessed by the Board as 111.2% of the possible STI opportunity.

Measure	Performance	Outcome
Proportional EBITDA[1]	$1,643 million	150.0 %
Proportional net costs[1]	$380 million	87.1 %
HSE	–	82.1 %
Overall Group Performance	**–**	**111.2 %**

1. For FY17 Transurban Queensland integration costs and a budget for discretionary research and development initiatives were excluded from the Proportional EBITDA and Proportional net costs targets and actual outcomes.

The Group achieved the following HSE outcomes which are linked to the Group's STI awards.

Measure	Score	Outcome %	STI Outcome %
Leadership KPIs	3.1	81.0	48.6
Recordable Injury Frequency Rate ('RIFR')[1] – employees	0.9	58.3	4.4
Recordable Injury Frequency Rate ('RIFR')[1] – contractors	4.8	150.0	11.3
Road Injury Crash Index ('RICI')[2]	4.9	–	–
Road Safety Action Plans[3]	4 plans	100.0	7.5
Incident close out rate[4]	76.6	103.2	10.3
Overall HSE Outcome			**82.1**

1. RIFR: recordable injuries (fatalities, lost time and medical treatment injuries) per million work hours.

2. RICI: serious road injury (requiring medical treatment or where emergency medical care is required, other than first aid) crashes per 100 million vehicle kilometres travelled.

3. Road Safety Plan actions implemented and actions tracking to target.

4. Percentage of incidents closed within three days of agreed investigation due date.

The individual STI performance outcomes and awards for the CEO and senior executives for FY17 are detailed in the following table:

	STI outcome (%)		STI awarded[3] ($)
Current senior executives	Individual KPIs	Total[2]	
S Charlton	110.0	115.0	2,530,000
T Adams	104.5	109.2	430,300
J Aument[1]	100.0	104.5	466,784
W Ballantine	115.0	120.2	478,300
A Head	100.0	104.5	473,200
M Huey	104.5	109.2	397,150
S Johnson	115.0	120.2	469,450
L Tobin	120.0	125.4	491,000
V Vassallo	98.5	102.9	434,500
A Watson	100.0	104.5	505,300

1. Jennifer Aument is remunerated in USA Dollars. Her awarded STI has been translated to Australian Dollars using the exchange rate at 30 June 2017.

2. The total STI performance outcome is calculated: (Individual STI Outcome % + (Individual STI Outcome % x Group Outcome %)) ÷ 2. The Group's percentage outcome is 111.2%. No STI was forfeited due to performance, however, due to a contractor fatality on the NorthConnex project during FY17, senior executives have forfeited their STI entitlement associated with the RIFR Contractor outcome, resulting in a reduction to the Group result from 111.2% to 109.0% for senior executives.

3. 50% is paid in cash and 50% is deferred for two years following the performance year.

Remuneration report (continued)

Number of STI deferred securities and cash awards granted in FY17

	Balance at start of year	Granted during year as remuneration	Matured and paid during year	Forfeited during the year	Balance at the end of year
Current senior executives					
S Charlton	255,135	100,843	137,209	–	218,769
T Adams	42,799	18,021	22,224	–	38,596
J Aument	48,513	24,179	21,440	–	51,252
W Ballantine	51,681	23,353	27,359	–	47,675
A Head	69,329	18,790	38,816	–	49,303
M Huey	7,398	18,146	–	–	25,544
S Johnson	38,993	17,867	18,061	–	38,799
L Tobin	46,755	15,860	23,062	–	39,553
V Vassallo	56,782	25,476	30,139	–	52,119
A Watson	12,847	19,041	–	–	31,888

B. LTI Outcomes for FY17

Eligible senior executives (excluding the CEO) received performance awards with a grant date of 15 August 2016. Following the receipt of security holder approval at the 2016 AGM, the CEO received performance awards with a grant date of 24 October 2016. All performance awards granted in FY17 may vest subject to a performance period from 1 July 2016 through to 30 June 2019.

The relevant values of the grants are as follows:

Recipient	Grant date	Value of awards at grant date		Closing security price at grant date
		Relative TSR[1]	FCF per security	
Eligible senior executives	15 August 2016	$5.24	$10.71	$11.93
CEO	24 October 2016	$4.42	$9.50	$10.63

1. Fair value in accordance with AASB 2 treatment of market conditions.

Performance awards granted in FY17

The table below shows the number of LTI awards granted to senior executives during FY17.

	Number of performance awards granted	Potential value of grant yet to vest at Target ($)	Maximum (Face value) of potential value of grant to vest ($)
Current senior executives			
S Charlton	298,267	1,855,760	3,170,578
T Adams	43,337	311,221	517,010
J Aument	50,650	363,738	604,255
W Ballantine	43,771	314,337	522,188
A Head	49,803	357,655	594,150
M Huey	39,999	287,249	477,188
S Johnson	42,961	308,519	512,525
L Tobin	43,060	309,229	513,706
V Vassallo	46,425	333,397	553,850
A Watson	53,181	381,913	634,449

Remuneration report (continued)

The target (100%) value of the grant has been estimated based on the award valuations at grant date (a fair value approach for the TSR component and a face value approach discounted for distributions/and or dividends for the FCF component). The fair value for TSR considers the probability that the senior executive may not derive value from the LTI award, along with other factors, including difficulty of achieving performance hurdles and anticipated security price volatility.

The maximum LTI opportunity for each senior executive is the face value of the award (i.e. the value the senior executive would receive if all their performance awards vested, based on Transurban's security price at the time the award was granted).

The minimum total value of the grant, if the applicable performance measures are not met, is zero.

Value of performance awards vested and lapsed in FY17

The FY14 LTI plan vested on 17 August 2016 (performance period 1 July 2013 to 30 June 2016).

The outcome of the performance tests were as follows:

Test type	Result of test	% of units vest
TSR	Transurban ranked 7th highest out of 35 companies (82.3%)	100%
Free Cash Flow	120.9 cents adjusted to 125.0 cents (Refer to the explanation below) (100% vesting target was 120.2 cents)	100%
Overall vesting		**100%**

The favourable FCF vesting outcome was influenced by stronger than expected traffic and revenue growth in the GWA region, lower traffic disruption on CityLink from the works associated with the CityLink Tulla Widening project and lower financing costs.

Senior Executive	Awards vested	Value ($)[1]
S Charlton	382,292	1,713,466
J Aument[2]	74,494	334,159
W Ballantine	62,630	280,940
A Head	94,767	425,098
S Johnson	62,630	280,940
L Tobin	79,980	358,768
V Vassallo	79,980	358,768

1. *Based on the fair value at date of grant.*
2. *Jennifer Aument awards are settled in cash.*

Free Cash Flow Adjustment

Financial close of the Transurban Queensland ('TQ') (formerly, Queensland Motorways) acquisition occurred in July 2015. The associated capital raising (the issue of 404.5 million new securities) occurred in May 2015. The timing of these events (two different financial years) impacted the calculation of the FCF for FY14 and the FCF performance calculation against the FCF targets for the three LTI plans on foot at that time (the FY12, FY13 and FY14 plans).

Consistent with the treatment of the FY12 LTI plan, as disclosed in the FY14 Remuneration Report, the Board exercised its discretion to ensure that participants in the FY14 LTI plan were neither advantaged nor disadvantaged as a result of the TQ acquisition and associated capital raising. The Board exercised its discretion to, in effect; exclude the new securities issued from the number of securities used to calculate the FY14 FCF per security for the purposes of calculating the FCF outcome for the FY14 LTI plan. Interest income on the equity raised prior to financial close was similarly excluded from the calculation. The targets set at the beginning of the performance period (1 July 2012) were not adjusted.

Value of performance awards to vest and lapse in FY18

Initial vesting calculations indicate that 100% of awards on issue for the FY15 plan will vest for all remaining participants.

7. Service agreements

The remuneration and other terms of employment for the CEO and other senior executives are formalised in service agreements that have no specified term. Under these agreements, the CEO and other senior executives are eligible to participate in STI and LTI plans. Some other key aspects of the agreements in place for FY17 are outlined below:

	Period of notice to terminate by the senior executive	Period of notice to terminate by the Group[1]
CEO	6 months	12 months
Other senior executives	3 months	6 months

1. Payment in lieu of the notice period may be provided (based on the executive's fixed remuneration). The Group may also terminate at any time without notice for serious misconduct.

8. Non-executive Director remuneration

A. Remuneration policy

The diagram below sets out the key objectives of the Group's Non-executive Director remuneration policy and how they are achieved through the Group's remuneration framework:

Securing and retaining talented, qualified Directors	Preserving independence and impartiality	Aligning Director and security holder interests
Director fee levels are set with regards to: the responsibilities and risks attached to the role, the time commitment and workload expected, the Director's experience and expertise, and market benchmark data.	Director remuneration consists of base (Director) fees and Committee fees. No element of Director remuneration is 'at risk' (i.e. fees are not based on the performance of the Group or individual Directors from year to year).	Directors are encouraged to hold Transurban securities and the Board has endorsed minimum security holding guidelines for Directors.

B. Remuneration arrangements

Maximum aggregate remuneration

The aggregate remuneration that may be paid to Non-executive Directors in any year is capped at a level approved by security holders. At the 2016 AGM security holders approved an increase in the aggregate fee pool to $3,000,000 (inclusive of superannuation contributions), with effect from 13 October 2016. No change to the aggregate fee pool is proposed for FY18.

Non-executive Director fees for FY17

The Remuneration and Human Resources Committee regularly reviews Non-executive Director fees, and such reviews include periodic benchmarking against other publicly listed entities of similar size and complexity to Transurban.

A review of Non-executive Director fees (base Director and Committee fees) was undertaken during FY17. The Remuneration and Human Resources Committee recommended, and the Board subsequently resolved, that Non-executive Director fees remain unchanged for the 2017 calendar year.

Current Director and Committee fees are set out below:

Board Fees	Chair	$550,000
	Member	$185,000
Committee Fees	**Audit and Risk Committee**	
	Chair	$50,000
	Member	$25,000
	Remuneration and Human Resources Committee	
	Chair	$40,000
	Member	$20,000
	Nomination Committee	$10,000

The Chair of the Board does not receive any additional fees for Committee responsibilities.

The Chair of each Committee only receives the Chair fee (and not a member fee).

Non-executive Directors are permitted to be paid additional fees for special duties or exertions. No such fees were paid during FY17. Non-executive Directors are also entitled to be reimbursed for all business related expenses, including travel, as may be incurred in the discharge of their duties.

Non-executive Directors are not entitled to any retirement benefits.

C. Non-executive Director related party information

All Non-executive Director related party relationships are based on normal commercial terms. None of the Non-executive Directors were, or are, involved in any procurement or other Board decision-making regarding the companies or firms with which they have an association.

The Group is not required to make the following disclosures but for transparency reasons notes the following relationships and transactions:

Director	Related party	Services provided
R Slater	Mr Slater is a partner in the public policy practice group of Squire Patton Boggs (US) LLP (SPB).	Transurban used SPB during FY17 for various lobbying activities in the USA, and incurred US$289,296 for services during FY17.
L Maxsted	Mr Maxsted is Chair and a Non-executive Director of Westpac Banking Corporation.	Westpac provides a number of banking products and services to Transurban. Westpac also participated in two financing arrangements conducted by Transurban during FY17 and acted as a Joint Lead Arranger on two others.
N Chatfield	Mr Chatfield is Chairman and a Non-executive Director of Seek Limited. Mr Chatfield is a Non-executive Director of Iron Mountain Inc.	Seek provides employment advisory services to Transurban. Iron Mountain provides data protection services to Transurban.
S Mostyn	Ms Mostyn is a Non-executive Director of Citigroup Pty Ltd.	Citigroup provides banking products and services to Transurban. Citigroup also acted as a Joint Lead Arranger and Lead Arranger on two financing arrangements conducted by Transurban during FY17.
	Ms Mostyn is a Non-executive Director of Virgin Australia Holdings Limited.	Transurban uses air travel services provided by Virgin Australia.
C O'Reilly	Ms O'Reilly is a Non-executive Director of Energy Australia.	Energy Australia is one of Transurban's electricity providers in New South Wales and Queensland.

9. Statutory tables

A. Senior executive remuneration

	Short-term employee benefits			Deferred STI[4]	Post-employment benefits	Long-term benefits	Share based benefits[5]		Total
	Cash salary and fees	Cash STI[2]	Non-monetary benefits[3]		Super-annuation	Long service leave	Equity awards	Cash awards	
Current CEO									
S Charlton									
2017	**2,180,384**	**1,265,000**	**10,575**	**1,182,642**	**19,616**	**52,382**	**1,893,205**	**–**	**6,603,804**
2016	2,102,392	1,193,475	13,024	1,120,400	19,308	8,463	1,821,975	–	6,279,037
Current other senior executives									
T Adams									
2017	**568,484**	**215,150**	**61,218**	**209,700**	**19,616**	**18,876**	**323,949**	**–**	**1,416,993**
2016	515,292	213,275	1,983	191,142	19,308	10,052	214,874	–	1,165,926
J Aument[1]									
2017	**683,294**	**233,392**	**1,371**	**300,554**	**14,322**	**–**	**–**	**701,351**	**1,934,284**
2016	668,904	286,157	1,459	361,400	14,521	–	–	992,155	2,324,596
W Ballantine									
2017	**574,384**	**239,150**	**4,937**	**264,067**	**19,616**	**19,887**	**325,986**	**–**	**1,448,027**
2016	530,692	276,375	2,034	228,708	19,308	10,353	313,368	–	1,380,838
A Head									
2017	**656,235**	**236,600**	**7,225**	**248,383**	**20,318**	**14,244**	**391,578**	**–**	**1,574,583**
2016	640,042	222,375	4,306	298,267	19,308	12,486	413,050	–	1,609,834
M Huey									
2017	**523,184**	**198,575**	**6,606**	**167,442**	**19,616**	**–**	**307,629**	**–**	**1,223,052**
2016	474,142	214,750	1,784	48,550	19,308	–	291,326	–	1,049,860
S Johnson									
2017	**563,384**	**234,725**	**6,559**	**209,658**	**19,616**	**25,182**	**315,079**	**–**	**1,374,203**
2016	510,692	211,450	2,869	182,983	19,308	9,963	304,768	–	1,242,033
L Tobin									
2017	**564,734**	**245,500**	**4,169**	**202,883**	**19,616**	**12,284**	**332,738**	**–**	**1,381,924**
2016	537,192	187,700	2,012	213,725	19,308	2,168	348,614	–	1,310,719
V Vassallo									
2017	**582,468**	**217,250**	**4,169**	**288,433**	**19,616**	**13,137**	**353,530**	**–**	**1,478,603**
2016	529,323	301,500	2,065	250,958	19,308	2,344	360,869	–	1,466,367
A Watson									
2017	**703,966**	**252,650**	**4,169**	**192,392**	**19,616**	**–**	**398,357**	**–**	**1,571,150**
2016	648,892	225,350	1,829	84,317	19,308	–	310,998	–	1,290,694
TOTAL									
2017	**7,600,517**	**3,337,992**	**110,998**	**3,266,154**	**191,568**	**155,992**	**4,642,051**	**701,351**	**20,006,623**
2016	7,157,563	3,332,407	33,365	2,980,450	188,293	55,829	4,379,842	992,155	19,119,904

1. *Jennifer Aument is remunerated in USA Dollars. The amounts shown in the table above have been converted to Australian Dollars using the average exchange rate over the reporting period.*
2. *The amount represents the cash STI payment to the senior executive for FY17, which will be paid in August 2017.*
3. *Non-monetary benefits include Group employee insurance and relocation allowances (where applicable).*
4. *A component of STI award is deferred into securities. In accordance with accounting standards, the deferred component will be recognised over the three year service period. The amount recognised in this table is the FY17 accounting charge for unvested grants.*
5. *In accordance with the requirements of the accounting standards, remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the year (i.e. performance awards under the LTI plan). The fair value of equity instruments is determined as at the grant date and is progressively allocated over the performance period. The amount included as remuneration may be different to the benefit (if any) that senior executives may ultimately realise should the equity instruments vest. The fair value of performance awards at the date of their grant has been independently determined in accordance with accounting standards. The fair value of the performance awards has been valued applying a Monte Carlo simulation (using a Black-Scholes framework) to model Transurban's security price and where applicable, the TSR performance against the comparator group performance.*

B. Number of performance awards on issue as at 30 June 2017

		Balance at start of year	Granted during year as remuneration	Matured and paid during year	Lapsed or forfeited during year	Balance at the end of year
Current senior executives						
S Charlton[1]	**2017**	**1,019,868**	**298,267**	**(382,292)**	–	**935,843**
	2016	1,254,579	292,441	(527,152)	–	1,019,868
T Adams	**2017**	**119,947**	**43,337**	**–**	**–**	**163,284**
	2016	64,928	55,019	–	–	119,947
J Aument	**2017**	**202,384**	**50,650**	**(74,494)**	**–**	**178,540**
	2016	137,229	65,155	–	–	202,384
W Ballantine	**2017**	**182,912**	**43,771**	**(62,630)**	–	**164,053**
	2016	126,309	56,603	–	–	182,912
A Head	**2017**	**242,704**	**49,803**	**(94,767)**	**–**	**197,740**
	2016	287,601	67,857	(112,754)	–	242,704
M Huey[2]	**2017**	**86,778**	**39,999**	**(12,894)**	**–**	**113,883**
	2016	48,888	50,784	(12,894)	–	86,778
S Johnson	**2017**	**178,108**	**42,961**	**(62,630)**	**–**	**158,439**
	2016	123,563	54,545	–	–	178,108
L Tobin	**2017**	**204,841**	**43,060**	**(79,980)**	**–**	**167,921**
	2016	147,568	57,273	–	–	204,841
V Vassallo	**2017**	**211,651**	**46,425**	**(79,980)**	**–**	**178,096**
	2016	149,902	61,749	–	–	211,651
A Watson[3]	**2017**	**131,004**	**53,181**	**(7,594)**	**–**	**176,591**
	2016	69,830	68,768	(7,594)	–	131,004

1. *Scott Charlton's number of performance awards granted during FY13 included 236,256 performance awards granted in September 2012 as a sign-on award, to vest, subject to his continued employment, in three equal tranches on the first, second and third anniversaries of his commencement with the Group. The first tranche (78,752) awards vested on 16 July 2013, the second tranche (78,752) awards vested on 16 July 2014 and the third and final tranche (78,752) awards vested on 16 July 2015.*
2. *Michele Huey received a pro-rated grant of performance awards in FY15 due to her commencement date of 19 January 2015. She also received a one-off equity grant of 25,788 awards recognising the equity awards forfeited when she ceased employment with her former employer. The one-off equity grant will vest, subject to continued employment, in two equal tranches on the first and second anniversaries of her commencement with the Group. The first tranche (12,894) awards vested 19 January 2016 and the second tranche (12,894) awards vested 19 January 2017.*
3. *Adam Watson received a pro-rated grant of performance awards in FY15 due to his commencement date of 1 December 2014. He also received a one-off equity grant of 15,188 awards recognising the equity awards forfeited when he ceased employment with his former employer. The one-off equity grant will vest, subject to continued employment, in two equal tranches on the first and second anniversaries of his commencement with the Group. The first tranche (7,594) awards vested 1 December 2015 and the second tranche (7,594) awards vested 1 December 2016.*

C. Securities held by senior executives as at 30 June 2017

		Balance at start of year	Changes during year	Balance at end of year
Current senior executives				
S Charlton	**2017**	**910,353**	**168,816**	**1,079,169**
	2016	213,374	696,979	910,353
T Adams	**2017**	**9,368**	**6,926**	**16,294**
	2016	5,090	4,278	9,368
J Aument	**2017**	**–**	–	–
	2016	–	–	–
W Ballantine	**2017**	**3,684**	**74,989**	**78,673**
	2016	5,794	(2,110)	3,684
A Head	**2017**	**76,584**	**(25,764)**	**50,820**
	2016	75,661	923	76,584
M Huey	**2017**	**12,894**	**12,894**	**25,788**
	2016	–	12,894	12,894
S Johnson	**2017**	**47,844**	**32,847**	**80,691**
	2016	30,099	17,745	47,844
L Tobin	**2017**	**9,576**	**54,424**	**64,000**
	2016	–	9,576	9,576
V Vassallo	**2017**	**18,671**	**110,644**	**129,315**
	2016	11,557	7,114	18,671
A Watson	**2017**	**8,307**	**7,594**	**15,901**
	2016	–	8,307	8,307

D. Remuneration paid to Non-executive Directors

		Short-term benefits	Post-employment benefits	Total
		Fees	Superannuation[1]	
Current Non-executive Directors				
L Maxsted	**2017**	**530,384**	**19,616**	**550,000**
	2016	508,192	19,308	527,500
N Chatfield	**2017**	**245,384**	**19,616**	**265,000**
	2016	237,492	19,308	256,800
R Edgar	**2017**	**240,384**	**19,616**	**260,000**
	2016	230,992	19,308	250,300
S Mostyn	**2017**	**196,347**	**18,653**	**215,000**
	2016	190,028	18,053	208,081
C O'Reilly	**2017**	**200,913**	**19,087**	**220,000**
	2016	194,365	18,465	212,830
P Scott	**2017**	**196,352**	**18,460**	**214,812**
	2016	56,317	5,144	61,461
R Slater[2]	**2017**	**238,695**	**–**	**238,695**
	2016	246,575	–	246,575
J Wilson	**2017**	**91,027**	**8,648**	**99,675**
Total	**2017**	**1,939,486**	**123,696**	**2,063,182**
	2016	1,663,961	99,586	1,763,547

1. *Superannuation contributions made on behalf of Non-executive Directors to satisfy the Group's obligations under applicable superannuation guarantee legislation.*
2. *Rodney Slater is remunerated in USA Dollars. The amounts shown in the table above have been converted to Australian Dollars using the average exchange rate over the reporting period.*

E. Securities held by Non-executive Directors as at 30 June 2017

		Balance at start of year	Changes during year	Balance at end of year
Current Non-executive Directors				
L Maxsted	**2017**	**70,258**	**–**	**70,258**
	2016	66,559	3,699	70,258
N Chatfield	**2017**	**59,728**	**2,600**	**62,328**
	2016	55,424	4,304	59,728
R Edgar	**2017**	**32,009**	**–**	**32,009**
	2016	30,324	1,685	32,009
S Mostyn	**2017**	**18,215**	**–**	**18,215**
	2016	17,256	959	18,215
C O'Reilly	**2017**	**20,406**	**–**	**20,406**
	2016	19,332	1,074	20,406
P Scott	**2017**	**20,000**	**870**	**20,870**
	2016	–	20,000	20,000
R Slater	**2017**	**3,000**	–	**3,000**
	2016	–	3,000	3,000
J Wilson[1]	**2017**	–	**4,000**	**4,000**

1. *Jane Wilson acquired 4,000 securities prior to her appointment as a Non-executive Director on 1 January 2017.*

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

Non-audit services

The Company has an "External Auditor Independence" policy which is intended to support the independence of the external auditor by regulating the provision of services by the external auditor. The external auditor will not be engaged to perform any service that may impair or be perceived to impair the external auditor's judgment or independence.

The external auditor will only provide a permissible non-audit service where there is a compelling reason for it to do so.

All non-audit services must be pre-approved by the CFO (services less than $5,000) or the Chair of the Audit and Risk Committee (in all other cases).

The Board has considered the position and, in accordance with advice received from the Audit and Risk Committee, is satisfied that the provision of the non-audit services during the period is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- the Audit and Risk Committee reviews the non-audit services to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor’s own work, acting in a management or a decision making capacity for the Group, acting as advocate for the Group or jointly sharing economic risk and rewards.

During the year the following fees were paid or payable for audit and non-audit services provided by the auditor of THL, its related practices and non-related audit firms:

	2017 $	2016 $
Amounts received or due and receivable by PricewaterhouseCoopers		
Audit and other assurance services:		
Audit and review of financial reports	**2,237,470**	2,190,000
Other assurance services	**725,730**	444,300
	2,963,200	2,634,300
Other consulting services	**–**	–
Total remuneration for PricewaterhouseCoopers	**2,963,200**	2,634,300
Total auditors remuneration	**2,963,200**	2,634,300

Indemnification and insurance

Each officer (including each director) of the Group is indemnified, to the maximum extent permitted by law, against any liabilities incurred as an officer of the Group pursuant to agreements with the Group. Each officer is also indemnified against reasonable costs (whether legal or otherwise) incurred in relation to relevant proceedings in which the officer is involved because the officer is or was an officer.

The Group has arranged to pay a premium for a Director’s and officer’s liability insurance policy to indemnify Directors and officers in accordance with the terms and conditions of the policy.

This policy is subject to a confidentiality clause which prohibits disclosure of the nature of the liability covered, the name of the insurer, the limit of liability and the premium paid for this policy.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 44.

Rounding of amounts

The Group is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Instrument to the nearest million, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of Directors.

Lindsay Maxsted
Director

Scott Charlton
Director

Melbourne
8 August 2017

Auditor's Independence Declaration

As lead auditor for the audit of Transurban Holdings Limited, Transurban Holding Trust and Transurban International Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Transurban Holdings Limited, Transurban Holding Trust and Transurban International Limited and the entities they controlled during the period.

Chris Dodd
Partner
PricewaterhouseCoopers

Melbourne
8 August 2017

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Transurban Holdings Limited ABN 86 098 143 429

Contents

Section A: Group financial statements

Transurban Holdings Limited
Consolidated statement of comprehensive income
for the year ended 30 June 2017

	Note	2017 $M	2016 $M
Revenue	B5	**2,732**	2,210
Expenses			
Employee benefits expense		**(168)**	(149)
Road operating costs		**(335)**	(309)
Construction costs		**(592)**	(282)
Transaction and integration costs		**(5)**	(131)
Corporate and other expenses		**(106)**	(91)
Total expenses		**(1,206)**	(962)
Earnings before depreciation, amortisation, net finance costs, equity accounted investments and income taxes		**1,526**	1,248
Amortisation	B16	**(561)**	(527)
Depreciation		**(67)**	(57)
Total depreciation and amortisation		**(628)**	(584)
Net finance costs	B13	**(749)**	(728)
Share of net profits of equity accounted investments	B22	**25**	17
Profit/(loss) before income tax		**174**	(47)
Income tax benefit	B7	**35**	69
Profit for the year		**209**	22
Profit/(loss) attributable to:			
Ordinary security holders of the stapled group			
- Attributable to THL		**83**	44
- Attributable to THT/TIL		**156**	55
		239	99
Non-controlling interests - other	B23	**(30)**	(77)
		209	22
Other comprehensive income			
Items that may be reclassified to profit or loss in the future			
Changes in the fair value of cash flow hedges, net of tax		**76**	(79)
Share of other comprehensive income of equity accounted investments, net of tax		**8**	(11)
Movement in share-based payments reserve		**1**	–
Exchange differences on translation of US operations, net of tax		**20**	(12)
Other comprehensive income/(loss) for the year, net of tax		**105**	(102)
Total comprehensive income/(loss) for the year		**314**	(80)
Total comprehensive income/(loss) for the year is attributable to:			
Ordinary security holders of the stapled group			
- Attributable to THL		**95**	48
- Attributable to THT/TIL		**240**	(26)
Non-controlling interests – other		**(21)**	(102)
		314	(80)
		Cents	Cents
Earnings per security attributable to ordinary security holders of the stapled group:			
Basic and diluted earnings per stapled security	B9	**11.7**	5.0

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Transurban Holdings Limited
Consolidated balance sheet
for the year ended 30 June 2017

	Note	2017 $M	2016[1] $M
ASSETS			
Current assets			
Cash and cash equivalents	B8	**988**	834
Trade and other receivables	B8	**138**	121
Held-to-maturity investments	B8	**157**	–
Total current assets		**1,283**	955
Non-current assets			
Equity accounted investments	B22	**654**	971
Held-to-maturity investments	B28	**586**	369
Derivative financial instruments	B15	**82**	121
Property, plant and equipment		**327**	268
Deferred tax assets	B7	**1,061**	1,097
Intangible assets	B16	**19,330**	19,259
Total non-current assets		**22,040**	22,085
Total assets		**23,323**	23,040
LIABILITIES			
Current liabilities			
Trade and other payables	B8	**347**	410
Borrowings	B14	**880**	405
Derivative financial instruments	B15	**5**	17
Maintenance provision	B17	**99**	94
Distribution provision	B10	**594**	516
Other provisions		**40**	31
Other liabilities		**174**	132
Total current liabilities		**2,139**	1,605
Non-current liabilities			
Borrowings	B14	**12,868**	12,468
Deferred tax liabilities	B7	**931**	981
Maintenance provision	B17	**895**	836
Other provisions		**93**	47
Derivative financial instruments	B15	**362**	393
Other liabilities		**228**	252
Total non-current liabilities		**15,377**	14,977
Total liabilities		**17,516**	16,582
Net assets		**5,807**	6,458
EQUITY			
Contributed equity	B11	**1,450**	1,422
Reserves	B12	**(54)**	(66)
Accumulated losses		**(3,190)**	(3,129)
Non-controlling interests held by security holders of the stapled group (THT/TIL)		**6,289**	6,808
Equity attributable to security holders of the stapled group		**4,495**	5,035
Non-controlling interests – other	B23	**1,312**	1,423
Total equity		**5,807**	6,458

1. The 30 June 2016 balances have been restated to reflect the final fair value of the purchase price allocation balances of AirportlinkM7, which was acquired on 1 April 2016. Refer to note B21.

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

	Attributable to security holders of the stapled group							
	No. of securities M	Contributed equity $M	Reserves $M	Accumulated losses $M	Non-controlling interests–THT & TIL $M	Total $M	Non-controlling interests–other $M	Total equity $M
Balance at 1 July 2016	2,036	1,422	(66)	(3,129)	6,808	5,035	1,423	6,458
Comprehensive income								
Profit/(loss) for the year	–	–	–	83	156	239	(30)	209
Other comprehensive income/(loss)	–	–	12	–	84	96	9	105
Total comprehensive income/(loss)	–	–	12	83	240	335	(21)	314
Transactions with owners in their capacity as owners:								
Employee performance awards issued[1]	1	1	–	–	3	4	–	4
Distributions provided for or paid[2]	–	–	–	(144)	(911)	(1,055)	–	(1,055)
Distribution reinvestment plan[3]	15	27	–	–	149	176	–	176
Distributions to non-controlling interests[4]	–	–	–	–	–	–	(90)	(90)
	16	28	–	(144)	(759)	(875)	(90)	(965)
Balance at 30 June 2017	2,052	1,450	(54)	(3,190)	6,289	4,495	1,312	5,807

1. *From 2012 it is the Group's policy that a portion of all Short Term Incentives issued to the CEO and other senior executives are deferred for a period of 2 years. In addition to the Short Term Incentives, Stapled Securities (including units in the Trust) were issued to executives under the Group's Long Term Incentive share-based payment plans. These securities are held by the executive but will only vest in accordance with the terms of the plans.*
2. *Refer to note B10 for further details of dividends and distributions provided for or paid.*
3. *Under the distribution reinvestment plan, holders of stapled securities may elect to have all or part of their distribution entitlements satisfied by the issue of new stapled securities rather than by cash.*
4. *Dividends and distributions were paid during the period to the non-controlling interest partners in Airport Motorway Trust (Eastern Distributor), Transurban Queensland Invest Trust and Transurban Queensland Holdings 1 Pty Ltd (Transurban Queensland).*

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Attributable to security holders of the stapled group							
	No. of securities M	**Contributed equity $M**	**Reserves $M**	**Accumulated losses $M**	**Non-controlling interests–THT & TIL $M**	**Total $M**	**Non-controlling interests–other $M**	**Total equity $M**
Balance at 1 July 2015	**1,914**	**1,237**	**(70)**	**(3,034)**	**6,636**	**4,769**	**1,227**	**5,996**
Comprehensive income								
Profit/(loss) for the year	–	–	–	44	55	99	(77)	22
Other comprehensive income/(loss)	–	–	4	–	(81)	(77)	(25)	(102)
Total comprehensive income/(loss)	**–**	**–**	**4**	**44**	**(26)**	**22**	**(102)**	**(80)**
Transactions with owners in their capacity as owners:								
Contributions of equity, net of transaction costs[1]	107	163	–	–	843	1,006	356	1,362
Employee performance awards issued[2]	1	–	–	–	2	2	–	2
Distributions provided for or paid[3]	–	–	–	(139)	(762)	(901)	–	(901)
Distribution reinvestment plan[4]	14	22	–	–	115	137	–	137
Distributions to non-controlling interests[5]	–	–	–	–	–	–	(58)	(58)
	122	**185**	**–**	**(139)**	**198**	**244**	**298**	**542**
Balance at 30 June 2016	**2,036**	**1,422**	**(66)**	**(3,129)**	**6,808**	**5,035**	**1,423**	**6,458**

1. *During December 2015, the Group successfully completed the fully underwritten institutional and retail components of its renounceable 1 for 18 pro rata entitlement offer. The institutional component raised $726 million and the retail component raised $280 million at an issue price of $9.60 per security. The total proceeds from the entitlement offer (net of equity issue costs) were approximately $1,006 million and were used to fund the Group's equity contribution for the AirportlinkM7 acquisition which reached financial close in April 2016, with the remainder used for general corporate purposes.*

   In March 2016, the non-controlling partners in Transurban Queensland (Australian Super and Tawreed) contributed $356 million as their equity contribution for the acquisition of AirportlinkM7. The Group's equity contribution into Transurban Queensland is eliminated upon consolidation.
2. *From 2012 it is the Group's policy that a portion of all Short Term Incentives issued to the CEO and other senior executives are deferred for a period of 2 years. In addition to the Short Term Incentives, Stapled Securities (including units in the Trust) were issued to executives under the Group's Long Term Incentive share-based payment plans. These securities are held by the executive but will only vest in accordance with the terms of the plans.*
3. *Refer to note B10 for further details of dividends and distributions provided for or paid.*
4. *Under the distribution reinvestment plan, holders of stapled securities may elect to have all or part of their distribution entitlements satisfied by the issue of new stapled securities rather than by cash.*
5. *Distributions were paid during the period to the non-controlling interest partners in Airport Motorway Trust (Eastern Distributor) and Transurban Queensland Invest Trust (Transurban Queensland).*

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Note	2017 $M	2016 $M
Cash flows from operating activities			
Receipts from customers		**2,266**	2,055
Payments to suppliers and employees		**(679)**	(624)
Payments for maintenance of intangible assets		**(69)**	(52)
Transaction and integration costs related to acquisitions		**(113)**	(23)
Other revenue		**57**	66
Interest received		**27**	31
Interest paid		**(652)**	(543)
Net cash inflow from operating activities	(a)	**837**	910
Cash flows from investing activities			
Payments for held-to-maturity investments		**(344)**	(187)
Payments for intangible assets		**(647)**	(437)
Payments for property, plant and equipment		**(131)**	(78)
Distributions received from equity accounted investments		**350**	127
Payments for acquisition of subsidiaries, net of cash acquired		**–**	(1,869)
Net cash outflow from investing activities		**(772)**	(2,444)
Cash flows from financing activities			
Proceeds from equity issued to non-controlling interests		**–**	356
Proceeds from issues of stapled securities		**–**	1,006
Proceeds from borrowings (net of costs)		**2,703**	3,896
Repayment of borrowings		**(1,718)**	(3,401)
Dividends and distributions paid to the Group's security holders	B10	**(801)**	(689)
Distributions paid to non-controlling interests	B10	**(90)**	(55)
Net cash inflow from financing activities		**94**	1,113
Net increase/(decrease) in cash and cash equivalents		**159**	(421)
Cash and cash equivalents at the beginning of the year		**834**	1,249
Effects of exchange rate changes on cash and cash equivalents		**(5)**	6
Cash and cash equivalents at end of the year	B8	**988**	834

(a) Reconciliation of profit after income tax to net cash flow from operating activities

		2017 $M	2016 $M
Profit for the year		**209**	22
Depreciation and amortisation		**628**	584
Non-cash share-based payments expense		**5**	3
Non-cash net finance costs		**81**	87
Share of profits of equity accounted investments	B22	**(25)**	(17)
Change in operating assets and liabilities:			
(Increase) / decrease in trade and other receivables		**(17)**	5
Increase in concession and promissory note liability		**11**	21
(Decrease) / increase in operating creditors and accruals		**(95)**	158
Increase in other operating provisions		**11**	25
Movement in deferred and current taxes		**(35)**	(69)
Increase in maintenance provision		**64**	91
Net cash inflow from operating activities		**837**	910

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Section B: Notes to the Group financial statements

Basis of preparation and significant changes

B1 Corporate Information

Transurban Holdings Limited ('the Company', 'the Parent' or 'THL') is a company incorporated in Australia and limited by shares that are publicly traded on the Australian Securities Exchange. These financial statements have been prepared as a consolidation of the financial statements of Transurban Holdings Limited and its controlled entities ('Transurban', 'Transurban Group' or 'the Group'). The controlled entities of THL include the other members of the stapled group being Transurban International Limited and its controlled entities ('TIL') and Transurban Holding Trust and its controlled entities ('THT'). The equity securities THL, THT and TIL are stapled and cannot be traded separately. Entities within the Group are domiciled and incorporated in Australia and the United States of America.

The consolidated financial statements of Transurban Group for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the Directors on 8 August 2017. Directors have the power to amend and reissue the financial report.

B2 Summary of significant changes in the current reporting period

During the year ended 30 June 2017, there have been no significant changes in accounting for our assets.

B3 Basis of preparation

The Group financial statements are general purpose financial statements which:

- Have been prepared in accordance with the Corporations Act 2001, Australian accounting standards, and other authoritative pronouncements of the Australian Accounting Standards Board;
- Have adopted all accounting policies in accordance with Australian accounting standards, and where a standard permits a choice in accounting policy, the policy adopted by the Group has been disclosed in these financial statements;
- Have applied the option under ASIC Corporations (Stapled Group Reports) Instrument 2015/838 to present the consolidated financial statements in one section (Section A), and all other reporting group members in a separate section (Section C).
- Do not early adopt any accounting standards or interpretations that have been issued or amended but are not yet effective;
- Comply with International financial reporting standards ('IFRS') as issued by the International Accounting Standards Board ('IASB');
- Have been prepared under the historical cost convention, as modified by the revaluation of other financial assets and liabilities (including derivative financial instruments);
- Are presented in Australian dollars, which is THL's functional and presentation currency.
- Have been rounded to the nearest million dollars, unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191; and
- The presentation of comparative amounts has been restated, where applicable, to conform to the current period presentation.

Going concern

THL's current liabilities exceed its current assets by $856 million as at 30 June 2017. This is primarily driven by borrowing facilities with maturities less than 12 months. The financial report has been prepared on a going concern basis, which assumes the continuity of normal operations. This is based on the following:

- The Group has generated positive cash inflows from operating activities of $837 million (2016: $910 million), after allowing for payments of $113 million (2016: $23 million) in transaction and integration costs relating to acquisitions;
- The Group reached financial close on 7 July 2017 for a new $1.1 billion syndicated bank debt facility that refinances an existing working capital facility, which demonstrates our ability to refinance our debt due in the next 12 months;
- The Group expects to refinance those remaining borrowing facilities with maturities of less than 12 months; and
- The Group has paid $801 million of dividends and distributions over the past 12 months.

B3 Basis of preparation (continued)

Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in the fair value reserve in equity.

Foreign operations

The results and financial position of all of the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the reporting date;
- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to other comprehensive income.

New and amended standards

The Group has adopted the following new or revised accounting standards which became effective for the annual reporting period commencing 1 July 2016. The Group determined there is no impact on the financial statements from the adoption.

Reference	Description
AASB 2015-1	These amendments clarify various Australian accounting standards.
AASB 2015-2	These amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements.

B3 Basis of preparation (continued)

Accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published but are not mandatory for 30 June 2017 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

Reference	Description and Impact on the Group	Application of the standard	Application by the Group
AASB 9 Financial instruments	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It also includes an expected loss impairment model and a reformed approach to hedge accounting. The standard will be applicable retrospectively. There will be no impact on the accounting for the Group's financial liabilities as the new standard only impacts financial liabilities designated at fair value through profit or loss and the Group does not have any such liabilities. The Group does not have any available for sale financial assets. The Group has not yet completed its assessment of how its hedging arrangements and the impairment of financial instruments under the expected credit loss model will be affected by the new rules; however, it does not expect the impact to be material. Increased disclosures may be required in the financial statements. The Group's assessment of the potential accounting, disclosure and financial impacts on adoption of the standard will continue up to the date of application.	1 January 2018	1 July 2018
AASB 15 Revenue from contracts with customers	AASB 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. AASB 15 supersedes a number of current revenue standards. There will be no material impact on the Group's accounting policies on the adoption of the standard, however there will be new disclosure requirements.	1 January 2018	1 July 2018

B3 Basis of preparation (continued)

Accounting standards and interpretations issued but not yet effective (continued)

Reference	Description and Impact on the Group	Application of the standard	Application by the Group
AASB 16 Leases	AASB 16 modifies accounting for leases by removing the current distinction between operating and financing leases. The standard requires recognition of an asset and a financial liability for all leases, with exemptions for short term and low value leases. Under the new standard, entities will no longer be required to distinguish between finance leases and operating leases. The standard will primarily affect the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $42 million (see note B26). On transition and moving forward, for operating leases for which payments are currently required to be expensed, the Group will recognise right of use assets and corresponding liabilities for the principal amount of lease payments, which will then result in amortisation and interest expenses being recognised in the income statement (replacing operating lease expenses). Further, the principal component of lease payments will be reclassified from operating to financing in the statement of cash flows. Certain performance metrics and ratios will be impacted as a result of the above changes, including Proportional EBITDA, Proportional Net Costs and Free Cash, which are measures used to assess senior executive performance as part of the Group's remuneration framework. The Group is still considering the available options for transition and has not yet forecasted the financial impacts of the new standard, but will do so leading up to application of the standard.	1 January 2019	1 July 2019
AASB 2016-1	Amendment to AASB 112 clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. This does not change the underlying principles for the recognition of deferred tax assets. The Group does not have any temporary taxable or deductible differences on assets that are measured at fair value. Therefore the impact of the application of the new standard is not expected to be material.	1 January 2017	1 July 2017
AASB 2016-2	Amendment to AASB 107 introduces additional disclosures that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The impact of the application of the new standard will be additional disclosure in the Group financial statements relating to the financial liabilities held by the Group.	1 January 2017	1 July 2017

B3 Basis of preparation (continued)

Accounting standards and interpretations issued but not yet effective (continued)

Reference	Description and Impact on the Group	Application of the standard	Application by the Group
AASB 2016-5	Amendments made to AASB 2 clarify how to account for cash-settled share-based payments with performance conditions, modifications that change a cash-settled arrangement to an equity-settled arrangement, and equity-settled awards that include a 'net settlement' feature which requires employers to withhold amounts to settle the employee's tax obligations. Management has undertaken an assessment of the impact of this standard and does not believe that the impact will be material.	1 January 2018	1 July 2018
AASB 2017-1	Amendment to AASB 128 clarifies that an entity that is not an investment entity may elect to retain the fair value measurement applied by its associates and joint ventures that are investment entities when applying the equity method. Management has undertaken an assessment of the impact of this standard and does not believe that the impact will be material.	1 January 2018	1 July 2018
AASB 2017-2	Amendment to AASB 12 clarifies the scope of the standard. Management has undertaken an assessment of the impact of this standard and does not believe that the impact will be material.	1 January 2017	1 July 2017
Interpretation 22	The interpretation clarifies how to apply the standard on foreign currency transactions, AASB 121, when an entity pays or receives consideration in advance for foreign currency-denominated contracts. Management has undertaken an assessment of the impact of this standard and does not believe that the impact will be material.	1 January 2018	1 July 2018

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated by management and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are found in the following notes:

- Income taxes — Note B7
- Fair value of derivatives and other financial instruments — Note B15
- Estimated impairment of intangible assets and cash generating units — Note B16
- Provision for maintenance expenditure — Note B17
- Valuation of promissory notes and concession notes — Note B18

Operating performance

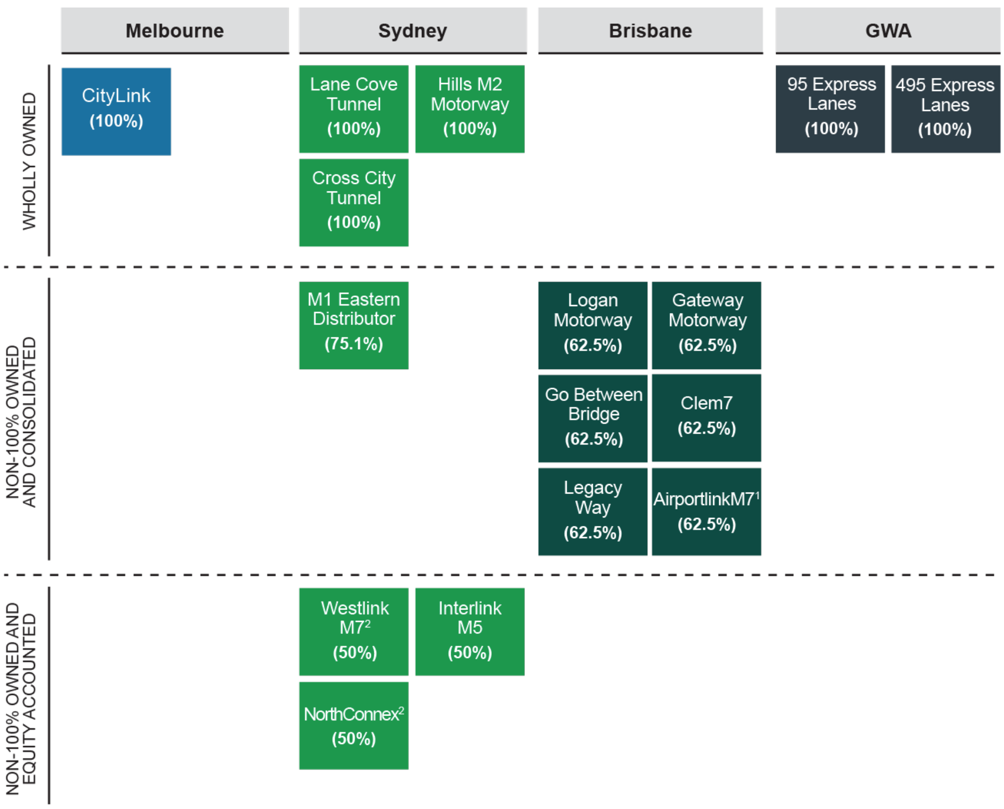
B4 Segment information

In the segment information provided to the Executive Committee (chief operating decision maker), segments are defined by the geographical networks in which the Group operates being Melbourne, Sydney, Brisbane and the Greater Washington Area. The Group's corporate function is not an operating segment under the requirements of AASB 8 as its revenue generating activities are only incidental to the business.

The Executive Committee assesses the performance of the networks based on a measure of proportional earnings before depreciation, amortisation, net finance costs and income taxes ('Proportional EBITDA'). This reflects the contribution of each network in the Group in the proportion of Transurban's equity ownership. Interest income and expenses are allocated to the networks where the amounts are related specifically to the assets. Otherwise they are allocated to the Corporate function.

Significant items are those items where their nature and amount is considered material to the financial statements and not in the ordinary course of business. Refer to note B6 for further details.

The diagram below shows the assets included in each geographical network, together with the ownership interests held by the Group for the current financial year:



1. *AirportlinkM7 was acquired on 1 April 2016.*
2. *Westlink M7 and NorthConnex form the NorthWestern Roads Group.*

B4 Segment information (continued)

Segment information – proportional income statement

2017

$M	Melbourne	Sydney	Brisbane	GWA	Corporate and other	Total
Toll revenue	687	872	385	209	–	2,153
Other revenue	22	31	2	–	3	58
Total proportional revenue	709	903	387	209	3	2,211
Underlying proportional EBITDA	594	702	268	116	(51)	1,629
Significant items	–	–	–	–	–	–
Proportional EBITDA	594	702	268	116	(51)	1,629

2016

$M	Melbourne	Sydney	Brisbane	GWA	Corporate and other	Total
Toll revenue	660	799	313	174	–	1,946
Other revenue	21	28	7	–	4	60
Total proportional revenue	681	827	320	174	4	2,006
Underlying proportional EBITDA	564	637	218	86	(25)	1,480
Significant items	–	–	(82)	–	–	(82)
Proportional EBITDA	564	637	136	86	(25)	1,398

Reconciliation of segment information to statutory financial information

The proportional results presented above are different from the statutory financial results of the Group due to the proportional presentation of each asset's contribution to each geographical network.

Segment revenue

Revenue from external customers is through toll and service and fee revenues earned on toll roads. There are no inter-segment revenues. Segment revenue reconciles to total statutory revenue as follows:

	Note	2017 $M	2016 $M
Total segment revenue (proportional)		2,211	2,006
Add:			
Revenue attributable to non-controlling interests		271	224
Construction revenue from road development activities		592	282
Less:			
Proportional revenue of non-100% owned equity accounted assets		(342)	(302)
Total statutory revenue	B5	2,732	2,210

Proportional EBITDA

Proportional EBITDA reconciles to profit/(loss) before income tax as follows:

	2017 $M	2016 $M
Proportional EBITDA	1,629	1,398
Add: EBITDA attributable to non-controlling interests	186	106
Less: Proportional EBITDA of non-100% owned equity accounted assets	(289)	(256)
Statutory profit before depreciation, amortisation, net finance costs, equity accounted investments and income taxes	1,526	1,248
Statutory net finance costs	(749)	(728)
Statutory depreciation and amortisation	(628)	(584)
Share of net profit from equity accounted investments	25	17
Profit/(loss) before income tax	174	(47)

B5 Revenue

	2017 $M	2016 $M
Toll revenue	**2,083**	1,870
Construction revenue	**592**	282
Other revenue	**57**	58
Total revenue	**2,732**	2,210

Accounting policy

The Group generates the following types of revenue:

Revenue type	Recognition
Toll revenue	Recognised when the charge is incurred by the user and the amount is determined to be recoverable by the Group.
Construction revenue	Revenue for the construction of service concession infrastructure assets is recognised in accordance with the percentage of completion method, which is measured by reference to costs incurred to date as a percentage of total forecast costs for each project.
Other revenue	Includes management fee revenue, business development revenue and other road revenue, and is recognised to the extent that incurred costs will be recovered.

B6 Significant items

Significant items are those items where their nature and amount is considered material to the financial statements and not in the ordinary course of business. Such items included within the Group's results are detailed below:

		2017		2016	
		Statutory $M	Proportional $M	Statutory $M	Proportional $M
Stamp duty on acquisitions	(a)	-	-	108	67
Other transaction fees on acquisitions	(a)	-	-	10	6
Integration costs relating to acquisitions	(b)	-	-	13	9
Significant items included within EBITDA		-	-	**131**	**82**
Significant items included within net finance costs	(a)	-	-	5	3
Total significant items		-	-	**136**	**85**
Income tax benefit associated with transaction and integration costs of acquisitions		-	-	(10)	(6)
Net significant items		-	-	**126**	**79**

(a) Stamp duty and other transaction fees

The Transurban Queensland consortium acquisition of AirportlinkM7 was completed on 1 April 2016. The consortium incurred stamp duty and other transaction costs during the year ended 30 June 2016 as a result of the acquisition. The stamp duty was paid in the year ended 30 June 2017. Significant items included within finance costs relate to premiums paid on interest rate swap option contracts entered into as part of the Airportlink M7 acquisition that were not exercised.

(b) Integration costs relating to Transurban Queensland and AirportlinkM7

Since acquisition, the Group has incurred costs to integrate Transurban Queensland and AirportlinkM7 into the Transurban Group. These costs include employee costs, consulting and legal fees. The Group incurred $5 million of statutory transaction and integration costs in the year ended 30 June 2017 that were not considered to be significant. These costs are shown in the statement of comprehensive income.

B7 Income tax

Income tax expense/(benefit)

	2017 $M	2016 $M
Current tax	**(49)**	(70)
Deferred tax	**11**	(24)
Under provision in prior years	**3**	25
	(35)	(69)
Deferred income tax expense/(benefit) included in income tax expense/(benefit) comprises:		
(Increase) in deferred tax assets	**(14)**	(68)
Increase in deferred tax liabilities	**25**	44
	11	(24)

Reconciliation of income tax expense/(benefit) to prima facie tax payable

	2017 $M	2016 $M
Profit/(loss) before income tax expense/(benefit)	**174**	(47)
Tax at the Australian tax rate of 30.0% (2016: 30.0%)	**52**	(14)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Trust income not subject to tax	**(61)**	(52)
Equity accounted results	**(7)**	(5)
Tax rate differential	**(3)**	(9)
Non-deductible interest	**13**	21
Non-deductible depreciation	**(12)**	(15)
Prior year tax losses recognised	**(16)**	(23)
Sundry items	**(4)**	3
Under/(over) provision in prior years	**3**	25
Income tax benefit	**(35)**	(69)
Tax expense/(income) relating to items of other comprehensive income		
Cash flow hedges	**18**	(56)
	18	(56)

Deferred tax assets and liabilities

	Assets		Liabilities	
	2017 $M	2016 $M	2017 $M	2016 $M
The balance comprises temporary differences attributable to:				
Provisions	**361**	313	**–**	–
Current and prior year losses	**882**	845	**–**	–
Fixed assets/intangibles	**587**	693	**(1,346)**	(1,426)
Concession fees and promissory notes	**–**	–	**(407)**	(369)
Cash flow hedges	**135**	152	**(83)**	(96)
Other	**1**	4	**–**	–
Tax assets/(liabilities)	**1,966**	2,007	**(1,836)**	(1,891)
Set-off of tax	**(905)**	(910)	**905**	910
Net tax assets/(liabilities)	**1,061**	1,097	**(931)**	(981)
Movements:				
Opening balance at 1 July	**2,007**	1,881	**(1,891)**	(1,889)
Credited to the statement of comprehensive income	**14**	68	**(25)**	(44)
Credited/(charged) to equity	**(32)**	71	**14**	(15)
Acquired	**–**	7	**–**	(3)
Foreign exchange movements	**(21)**	8	**13**	(6)
Transfer from deferred tax assets/liabilities	**(53)**	(65)	**53**	65
Other	**51**	37	**–**	1
Closing balance at 30 June	**1,966**	2,007	**(1,836)**	(1,891)
Deferred tax assets/(liabilities) to be recovered after more than 12 months	**1,966**	2,007	**(1,836)**	(1,891)

B7 Income tax (continued)

Accounting policy

The income tax expense/benefit for the period is the tax payable or benefit on the current period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The Transurban stapled group comprises two corporate entities (THL and TIL) and a trust (THT). THT operates as a flow-through trust, and is not liable to pay tax itself. Instead, security holders pay tax on the distributions they receive from the trust at their individual marginal tax rates. The Group is structured in this way because the initial heavy capital investment and associated debt funding required for infrastructure investments results in accounting losses being generated in the initial years which would otherwise prevent a company from paying dividends. The trust enables distributions to be made to security holders throughout the life of the asset.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Investment allowances

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as tax losses.

Tax consolidation legislation

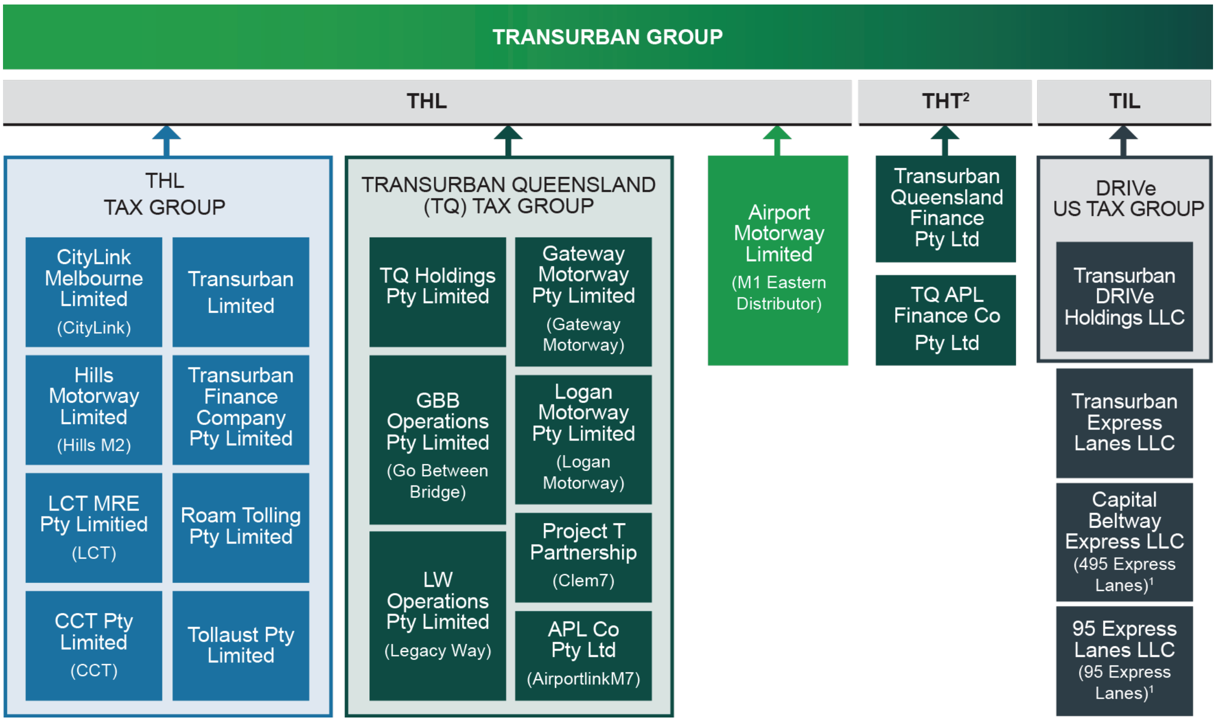
The Transurban Group has adopted the Australian tax consolidation legislation for THL and its wholly-owned Australian entities from 1 July 2005.

All entities within the Australian tax consolidated groups continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidation group is a separate taxpayer within the tax consolidated group.

B7 Income tax (continued)

Tax consolidation legislation (continued)

The tax consolidated groups within the Group are summarised as follows:



1. Entity is classified as a partnership for tax purposes.

2. There are no tax groups under THT.

THL tax consolidated group

The entities in the THL tax consolidated group entered into a tax sharing agreement ('TSA') effective from 29 April 2009.

The entities in the THL tax consolidated group have also entered into a tax funding agreement ('TFA') effective from 1 July 2008. Under the TFA the wholly-owned entities fully compensate THL for any current tax payable assumed and are compensated by THL for any current tax receivable and deferred tax assets relating to tax losses. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amount receivable/payable under the TFA is calculated at the end of the financial year for each wholly-owned entity. THL determines and communicates the amount payable/receivable to each wholly-owned entity along with the method of calculation and any other information deemed necessary.

Transurban Queensland tax consolidated group

The entities in the Transurban Queensland Holdings 1 Pty Ltd ('TQH1') tax consolidated group entered into a TSA effective from 2 July 2014. The entities in the TQH1 tax consolidated group have also entered into a TFA effective from 2 July 2014. APL Hold Co Pty Ltd ('AirportlinkM7') and its controlled entities entered the Transurban Queensland tax consolidated group effective from 23 November 2015.

Under the TFA the wholly-owned entities fully compensate TQH1 for any current tax payable assumed and are compensated by TQH1 for any current tax receivable and deferred tax assets relating to tax losses. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities financial statements.

The amount receivable/payable under the TFA is calculated at the end of the financial year for each wholly-owned entity. TQH1 determines and communicates the amount payable / receivable to each wholly-owned entity along with the method of calculation and any other information deemed necessary.

B7 Income tax (continued)

Transurban DRIVe tax consolidated group

Transurban DRIVe Holdings LLC ('TDH') is the head company of the DRIVe tax consolidated group. The DRIVe tax consolidated group is consolidated for US tax purposes in the sense that the 100% subsidiaries of TDH have elected to be treated as disregarded entities for US tax purposes. This treatment means that those entities are ignored for US tax purposes and that TDH, as head entity, carries any tax liability or benefits arising in the group. The DRIVe tax consolidated group currently owns partnership interests in both 495 Express Lanes and 95 Express Lanes and includes its share of each asset's profits or losses in its US tax return.

Goods and Services Tax ('GST')

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Key estimate

The Group is subject to income taxes in Australia and the USA. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

The Group has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences relating to the same taxation authority against which the unused tax losses can be utilised. However, the utilisation of tax losses also depends on the ability of the Group to satisfy certain tests at the time the losses are recouped. In the USA tax losses generally expire after a 20 year period. Management has reviewed the potential future taxable profits and has recognised deferred tax assets in relation to tax losses.

B8 Working capital

The Group's working capital balances are summarised as follows:

	2017 $M	2016 $M
Current assets		
Cash and cash equivalents	**988**	834
Trade receivables	**89**	75
Other receivables	**41**	35
Prepayments	**8**	11
	138	121
Held-to-maturity investments	**157**	-
	1,283	955
Current liabilities		
Trade payables and accruals	**(347)**	(302)
Stamp duty payable on AirportlinkM7 acquisition	**-**	(108)
	(347)	(410)
Net working capital	**936**	545

Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities. All cash balances are interest bearing.

The amount shown in cash and cash equivalents includes $223 million not available for general use at 30 June 2017 (2016: $376 million) of which $132 million (2016: $209 million) belongs to TIL. This comprises amounts required to be held under maintenance and funding reserves and prepaid tolls, which are not available for general use.

Current held to maturity investments as shown in the table above are short term investments in government treasuries that are due to mature within 12 months, which management intends to hold to maturity.

Trade and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. Trade receivables are due for settlement no more than 30 days from revenue recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be unrecoverable are written off by reducing the carrying amount of trade debtors directly. An allowance for impairment is used when there is evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance for impairment is the difference between the carrying amount and the amount expected to be recoverable. The additional amount of the allowance for doubtful debtors is recognised in profit or loss.

As at 30 June 2017, the Group held an allowance for doubtful debtors of $2 million (2016: $2 million), recognised for current trade receivables that were considered potentially unrecoverable. As at 30 June 2017, trade receivables of $26 million (2016: $20 million) were overdue but the Group still believes that these overdue amounts will be received in full. The other classes within trade and other receivables do not contain amounts that are considered to be potentially unrecoverable.

The carrying amount of trade and other receivables approximates their fair value.

Security holder outcomes

B9 Earnings per stapled security

Reconciliation of earnings used in calculating earnings per security

	2017	2016
Profit attributable to ordinary security holders of the stapled group ($M)	**239**	99
Weighted average number of securities (M)	**2,046**	1,982
Basic and diluted earnings per security attributable to the ordinary security holders of the stapled group (Cents)	**11.7**	5.0

B10 Dividends/distributions and free cash

Dividends/distributions paid by the Group	Total $M	Paid in cash $M	Settled in securities $M	Cents	Date paid/ payable
2016					
Declared 15 May 2015					
Franked THL	65	56	9	3.5	
Unfranked THT	326	269	57	17.0	
	391	325	66	20.5	14 August 2015
Declared 24 November 2015[1]					
Franked THL	69	56	13	3.5	
Unfranked THT	366	308	58	19.0	
	435	364	71	22.5	12 February 2016
Total paid FY16	826	689	137	43.0	
2017					
Declared 24 May 2016[1]					
Franked THL	**70**	**60**	**10**	**3.5**	
Unfranked THT	**396**	**331**	**65**	**19.5**	
	466	**391**	**75**	**23.0**	12 August 2016
Declared 5 December 2016[2]					
Franked THL	**72**	**55**	**17**	**3.5**	
Unfranked THT	**439**	**355**	**84**	**21.5**	
	511	**410**	**101**	**25.0**	10 February 2017
Total paid FY17	**977**	**801**	**176**	**48.0**	

Dividends/distributions payable by the Group

Declared 23 May 2017[2]					
Franked THL	**72**	**–**	**–**	**3.5**	
Unfranked THT	**472**	**–**	**–**	**23.0**	
	544	**–**	**–**	**26.5**	11 August 2017

1. *Total declared FY16 is $901 million.*
2. *Total declared FY17 is $1,055 million.*

B10 Dividends/distributions and free cash (continued)

Distribution policy and free cash calculation

The Group's distribution policy is to align distributions with free cash from operations. The Group calculates free cash as follows:

	2017 $M	2016 $M
Cash flows from operating activities	**837**	910
Add back transaction and integration costs related to acquisitions (non 100% owned entities)	**113**	23
Add back payments for maintenance of intangible assets	**69**	52
Less cash flow from operating activities from consolidated non 100% owned entities	**(312)**	(284)
Less allowance for maintenance of intangible assets for 100% owned assets	**(61)**	(60)
Adjust for distributions and interest received from non 100% owned entities		
M1 Eastern Distributor distribution	**55**	44
M5 distribution and term loan note interest	**68**	39
Transurban Queensland distribution and shareholder loan note interest	**161**	108
NWRG distribution	**290**	94
Free cash	**1,220**	926
Weighted average securities on issue (millions)[1]	**2,048**	1,978
Free cash per security (cents) – weighted average securities	**59.6**	46.8

1. *The weighting applied to securities is based on their eligibility for distributions during the year.*

Franking credits

	2017 $M	2016 $M
Franking credits available for subsequent periods based on a tax rate of 30.0% (2016: 30.0%)	**158**	193

Franking credits available for subsequent periods relate to Airport Motorway Holdings Pty Ltd ($133 million) (2016: $133 million) and Transurban Holdings Limited ($25 million) (2016: $60 million).

Distribution provision

A provision for distribution is recognised for any distribution declared and authorised on or before the end of the reporting period, but not distributed by the end of the reporting period. These distributions are provided for once they are approved by the board, are announced to equity holders and are no longer at the discretion of the entity.

Movements in distribution provision

Movements in the distribution provision during the financial year are set out below:

	Distribution to security holders $M	Distributions to non-controlling interest – other $M	Total $M
Balance at 1 July 2015	391	47	438
Additional provision recognised	901	58	959
Amounts paid	(689)	(55)	(744)
Amounts reinvested	(137)	–	(137)
Balance at 30 June 2016	**466**	**50**	**516**
Additional provision recognised	**1,055**	**90**	**1,145**
Amounts paid	**(801)**	**(90)**	**(891)**
Amounts reinvested	**(176)**	**–**	**(176)**
Balance at 30 June 2017	**544**	**50**	**594**

Capital and borrowings

B11 Contributed equity

	2017 $M	2016 $M
Fully paid stapled securities	**1,450**	1,422
	1,450	1,422

Stapled securities

Stapled securities are classified as equity and entitle the holder to participate in distributions and on winding up of the Group in proportion to the number of securities held. Every holder of a stapled security present at a meeting, in person or by proxy, is entitled to one vote. The issued units of the Group are made up of a parcel of stapled securities, each parcel comprising one share in THL, one unit in THT and one share in TIL. The individual securities comprising a parcel of stapled securities cannot be traded separately.

Other contributed equity attributable to security holders of the Group relating to THT and TIL of $10,974 million is included within non-controlling interests – THT/TIL.

B12 Reserves

	Cash flow hedges $M	Foreign currency translation $M	Transactions with non-controlling interests $M	Total $M
Balance 1 July 2015	(94)	23	1	(70)
Revaluation – gross	18	(1)	–	17
Deferred tax	(2)	–	–	(2)
Share of other comprehensive income of equity accounted investments, net of tax	(11)	–	–	(11)
Balance 30 June 2016	**(89)**	**22**	**1**	**(66)**
Revaluation – gross	**4**	**(4)**	**–**	**–**
Deferred tax	**–**	**1**	**–**	**1**
Transfers to profit	**–**	**3**	**–**	**3**
Share of other comprehensive income of equity accounted investments, net of tax	**8**	**–**	**–**	**8**
Balance 30 June 2017	**(77)**	**22**	**1**	**(54)**

Nature of reserves	Purpose of reserves
Cash flow hedges	Used to record gains or losses on cash flow hedging instruments, which are used by the Group to mitigate the risk of movements in exchange rates and interest rates. Amounts are reclassified to profit or loss when the transaction to which the hedge is linked (such as the payment of interest) affects profit or loss.
Foreign currency translation	Exchange differences arising on translation of the US operations of the Group are recognised in this reserve.
Transactions with non-controlling interests	The Group uses the economic entity approach when accounting for transactions with non-controlling interests.

B13 Net finance costs

	2017 $M	2016 $M
Finance income		
Interest income on held-to-maturity investments	**42**	23
Interest income on bank deposits	**21**	23
Total finance income	**63**	46
Finance costs		
Interest and finance charges paid/payable	**(749)**	(698)
Unwind of discount on liabilities – promissory and concession notes	**(8)**	(19)
Unwind of discount on liabilities – other liabilities	**(15)**	(11)
Unwind of discount on liabilities – maintenance provision	**(38)**	(41)
Net foreign exchange losses	**(2)**	(5)
Total finance costs	**(812)**	(774)
Net finance costs	**(749)**	(728)

An additional $13 million (2016: $2 million) of financing costs have been capitalised and included in the carrying value of assets under construction.

B14 Borrowings

	2017 $M	2016 $M
Current		
TIFIA	**12**	–
Capital markets debt	**300**	–
U.S. private placement	**163**	129
Term debt	**405**	276
Total current borrowings	**880**	405
Non-current		
Working capital facilities	**30**	60
Capital markets debt	**6,196**	5,308
U.S. private placement	**2,619**	2,078
Term debt	**2,527**	3,535
TIFIA	**1,176**	1,167
Shareholder loan notes	**320**	320
Total non-current borrowings	**12,868**	12,468
Total borrowings	**13,748**	12,873

Accounting policy

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance income or finance costs. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs are recognised as expenses in the period in which they are incurred, except to the extent to which they relate to the construction of qualifying assets in which case specifically identifiable borrowing costs are capitalised into the cost of the asset. Borrowing costs include interest on short-term and long-term borrowings.

Costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the effective period of the funding.

B14 Borrowings (continued)

Financing arrangements and credit facilities

Credit facilities are provided as part of the overall debt funding structure of the Group. The drawn component of each facility is shown below:

	Maturity	Carrying value 2017 $M	Carrying value 2016 $M
Corporate debt			
Working capital facilities drawn			
AUD 100m facility	Jun 2018	**-**	62
AUD 100m facility	Jun 2019	**33**	-
Net capitalised borrowing costs		**(3)**	(2)
Capital markets debt			
Domestic wrapped bond AUD 300m	Nov 2017	**300**	300
EMTN CAD 250m	Mar 2019	**250**	260
EMTN EUR 500m	Oct 2020	**743**	746
EMTN EUR 600m	Sep 2024	**892**	896
EMTN EUR 500m	Aug 2025	**743**	746
US 144A USD 550m	Feb 2026	**715**	741
US 144A USD 550m	Mar 2027	**715**	-
EMTN NOK 750m	Jul 2027	**117**	-
Net capitalised borrowing costs		**(35)**	(27)
U.S. private placement			
Nov 2006 – Tranche A USD 43m (plus accreted interest)[1]	Nov 2016	**-**	77
Dec 2004 – Tranche B USD 39m[1]	Dec 2016	**-**	52
Aug 2005 – Tranche B USD 126m	Aug 2017	**163**	169
Nov 2006 – Tranche B USD 136m (plus accreted interest)	Nov 2018	**236**	244
Dec 2004 – Tranche C USD 109m	Dec 2019	**141**	146
Dec 2004 – Tranche D AUD 72m	Dec 2019	**72**	72
Aug 2005 – Tranche C USD 157m	Aug 2020	**203**	211
Nov 2006 – Tranche C USD 121m (plus accreted interest)	Nov 2021	**211**	218
Nov 2006 – Tranche D USD 50m (plus accreted interest)	Nov 2026	**88**	91
Net capitalised borrowing costs		**(1)**	(1)
Total corporate debt, net of capitalised borrowing costs		**5,583**	5,001

1. These facilities were repaid during FY17.

B14 Borrowings (continued)

Financing arrangements and credit facilities (continued)

	Maturity	Carrying value 2017 $M	2016 $M
Non-recourse debt			
Capital markets debt			
Airport Motorway Trust – Domestic bond AUD 300m	Dec 2020	**300**	300
Transurban Queensland Finance – Domestic bond AUD 250m	Dec 2021	**250**	250
Transurban Queensland Finance – EMTN CHF 200m	Jun 2023	**272**	275
Transurban Queensland Finance – Domestic bond AUD 200m	Oct 2023	**200**	-
Transurban Queensland Finance – Domestic bond AUD 200m	Dec 2024	**200**	200
Transurban Queensland Finance – EMTN CHF 175m	Nov 2026	**238**	-
95 Express Lanes – Private activity bonds USD 72m	Jul 2034[3]	**93**	97
95 Express Lanes – Private activity bonds USD 170m	Jan 2040[3]	**221**	229
495 Express Lanes – Private activity bonds USD 225m	Dec 2047	**292**	303
Net capitalised borrowing costs		**(10)**	(9)
U.S. private placement			
Transurban Queensland Finance – Sep 2015 – Tranche A USD 155m	Sep 2025	**202**	209
Transurban Queensland Finance – Dec 2016 – Tranche A USD 130m	Dec 2026	**169**	-
Transurban Queensland Finance – Dec 2016 – Tranche D AUD 35m	Dec 2026	**35**	-
Transurban Queensland Finance – Sep 2015 – Tranche B USD 230m	Sep 2027	**299**	310
Transurban Queensland Finance – Dec 2016 – Tranche B USD 225m	Dec 2028	**293**	-
Transurban Queensland Finance – Sep 2015 – Tranche C USD 256m	Sep 2030	**333**	345
Transurban Queensland Finance – Sep 2015 – Tranche D AUD 70m	Sep 2030	**70**	70
Transurban Queensland Finance – Dec 2016 – Tranche C USD 78m	Dec 2031	**101**	-
Transurban Queensland Finance – Dec 2016 – Tranche E AUD 75m	Dec 2031	**75**	-
Transurban Queensland Finance – Dec 2016 – Tranche F AUD 100m	Jan 2035	**100**	-
Net capitalised borrowing costs		**(8)**	(5)
Term debt			
Cross City Tunnel Trust – Term debt AUD 277m[1]	Jun 2017	**-**	277
Transurban Queensland Finance – Term debt AUD 420m[2]	Jul 2017	**-**	420
Hills Motorway Trust – Term debt AUD 405m	Mar 2018	**405**	405
Airport Motorway Trust – Term debt AUD 225m	Jul 2018	**225**	225
TQ APL Finance – Term debt AUD 475m	Apr 2019	**475**	475
Transurban Queensland Finance – Term debt AUD 750m[2]	Jul 2019	**-**	750
Cross City Tunnel Trust – Term debt AUD 278m	Dec 2019	**278**	-
Transurban Queensland Finance – Capex facility AUD 820m	Dec 2019	**77**	-
Hills Motorway Trust – Term debt AUD 350m	Mar 2020	**350**	350
TQ APL Finance – Term debt AUD 475m	Apr 2021	**475**	475
Lane Cove Tunnel Trust – Term debt AUD 160m	May 2021	**160**	120
Lane Cove Tunnel Trust – Term debt AUD 60m	May 2025	**60**	60
Lane Cove Tunnel Trust – Term debt AUD 40m	May 2028	**40**	40
Lane Cove Tunnel Trust – Term debt AUD 160m	May 2028	**160**	-
Transurban Queensland Finance – Term debt AUD 200m	Apr 2030	**200**	200
Lane Cove Tunnel Trust – Term debt AUD 40m	May 2031	**40**	40
Net capitalised borrowing costs		**(13)**	(26)
TIFIA loans			
495 Express Lanes – Facility limit USD 589m (plus accreted interest)	Oct 2047[3,4]	**863**	843
95 Express Lanes – Facility limit USD 300m (plus accreted interest)	Jan 2048[3,4]	**325**	324
Shareholder loan notes			
Loan from Transurban Queensland consortium partners – AUD 281m	Dec 2048	**281**	281
Loan from Transurban Queensland consortium partners – AUD 39m	Jul 2053	**39**	39
Total non-recourse debt, net of capitalised borrowing costs		**8,165**	7,872
Total debt		**13,748**	12,873

1. This facility was refinanced during FY17.

2. These facilities were repaid during FY17.

3. This represents the final maturity.

4. These facilities require principal repayments throughout their life, with the first such payment due at the completion of the interest capitalisation period.

B14 Borrowings (continued)

Working capital facilities

- The corporate facilities are secured by first ranking charges granted by Transurban Finance Company Pty Ltd, Transurban Finance Trust, Transurban Holdings Limited, Transurban Holding Trust, Transurban International Limited and Transurban Limited;
- The Transurban Queensland Finance facility is secured against the respective rights of Transurban Queensland Holdings 1 Pty Limited, Transurban Queensland Holdings 2 Pty Limited, Transurban Queensland Invest Trust and their assets. At 30 June 2017 the facility was undrawn; and
- The AirportlinkM7 facility is secured against the respective rights of APL Hold Co Pty Limited, APL Co Pty Limited, TQ APL Hold Trust, TQ APL Asset Trust and their assets. At 30 June 2017 the facility was undrawn.

Capital markets debt

- The corporate domestic bonds are secured by first ranking charges granted by Transurban Finance Company Pty Ltd, Transurban Finance Trust, Transurban Holdings Limited, Transurban Holding Trust, Transurban International Limited and Transurban Limited;
- A corporate secured EMTN program was established in October 2011 with a program limit of USD$2 billion, which increased to USD $5 billion in May 2015. Under the program the Group may from time to time issue notes denominated in any currency. These facilities are secured by first ranking charges granted by Transurban Finance Company Pty Ltd, Transurban Finance Trust, Transurban Holdings Limited, Transurban Holding Trust, Transurban International Limited and Transurban Limited;
- The corporate US 144A notes are secured by first ranking charges granted by Transurban Finance Company Pty Ltd, Transurban Finance Trust, Transurban Holdings Limited, Transurban Holding Trust, Transurban International Limited and Transurban Limited;
- The Airport Motorway Trust domestic bond is secured against the respective rights of Airport Motorway Limited and Airport Motorway Trust and their assets;
- The Transurban Queensland Finance domestic bonds are secured against the respective rights of Transurban Queensland Holdings 1 Pty Limited, Transurban Queensland Holdings 2 Pty Limited, Transurban Queensland Invest Trust and their assets;
- A Transurban Queensland Finance EMTN program was established in March 2016 with a program limit of USD$2 billion. Under the program, Transurban Queensland Finance may from time to time issue notes denominated in any currency. These notes are secured against the respective rights of Transurban Queensland Holdings 1 Pty Limited, Transurban Queensland Holdings 2 Pty Limited, Transurban Queensland Invest Trust and their assets;
- The 95 Express Lanes Private Activity Bonds ('PABs') are secured against the rights of 95 Express Lanes LLC and its assets; and
- The 495 Express Lanes PABs are secured against the rights of Capital Beltway Express LLC and its assets.

U.S. private placement

- Corporate U.S. private placement facilities are secured by first ranking charges granted by Transurban Finance Company Pty Ltd, Transurban Finance Trust, Transurban Holdings Limited, Transurban Holding Trust, Transurban International Limited and Transurban Limited; and
- The Transurban Queensland Finance U.S private placement facilities are secured against the respective rights of Transurban Queensland Holdings 1 Pty Limited, Transurban Queensland Holdings 2 Pty Limited, Transurban Queensland Invest Trust and their assets.

B14 Borrowings (continued)

Term debt

- The Airport Motorway facility is secured against the respective rights of Airport Motorway Limited, the Airport Motorway Trust and their assets;
- The Hills Motorway Trust facilities are secured against the respective rights of Hills Motorway Limited, Hills Motorway Trust and their assets;
- The Lane Cove Tunnel facility is secured against the respective rights of LCT-MRE Pty Limited, LCT-MRE Trust and their assets;
- The Cross City Tunnel facility is secured against the respective rights of Transurban CCT Pty Limited, Transurban CCT Trust and their assets;
- The AirportlinkM7 facility is secured against the respective rights of APL Hold Co Pty Limited, APL Co Pty Limited, TQ APL Hold Trust, TQ APL Asset Trust and their assets; and
- The Transurban Queensland Finance facilities are secured against the respective rights of Transurban Queensland Holdings 1 Pty Limited, Transurban Queensland Holdings 2 Pty Limited, Transurban Queensland Invest Trust and their assets.

Transportation Infrastructure Finance and Innovation Act ('TIFIA')

- The 495 Express Lanes TIFIA facility is secured against the rights of Capital Beltway Express LLC and its assets; and
- The 95 Express Lanes TIFIA facility is secured against the rights of 95 Express Lanes LLC and its assets.

Shareholder loan notes

- The loans to Transurban Queensland from the acquisition consortium partners are unsecured.

Letters of credit and corporate credit facilities

		2017 $M		2016 $M	
	Maturity	Facility amount	Amount issued	Facility amount	Amount issued
Letter of credit facility	Nov 2019	**50**	**43**	60	39
Letter of credit facility	Dec 2019	**240**	**240**	240	240
General credit facility[1]	Dec 2019	**6**	**5**	4	3
Total		**296**	**288**	304	282

1. *The general credit facility covers corporate requirements including credit card facilities, online banking and an overdraft facility.*

Letters of credit and bank guarantees to the value of $72 million (2016: $56 million) have also been issued under multi-option facilities and working capital facilities. All letters of credit are currently undrawn and therefore no liability is recorded.

B14 Borrowings (continued)

Covenants

A number of the Group's consolidated borrowings include financial covenants, which are listed below. There have been no breaches of any of these covenants during the year.

Corporate Debt

Covenant	Threshold
Senior interest coverage ratio	Greater than 1.25 times
Group Market Capitalisation	Gearing must not exceed 60%[1]
CityLink Interest Coverage Ratio	Greater than 1.1 times

Non-Recourse Debt

Covenant	Threshold
Airport Motorway Trust Interest Coverage Ratio	Greater than 1.15 times
Hills Motorway Trust Interest Coverage Ratio	Greater than 1.15 times
Lane Cove Tunnel Trust Interest Coverage Ratio	Greater than 1.15 times
Cross City Tunnel Trust Interest Coverage Ratio	Greater than 1.15 times
Transurban Queensland Finance Interest Coverage Ratio	Greater than 1.20 times
AirportlinkM7 Finance Interest Coverage Ratio	Greater than 1.20 times
495 Express Lanes Senior Debt Service Coverage Ratio	Greater than 1.15 times
95 Express Lanes Senior Debt Service Coverage Ratio[2]	Greater than 1.30 times

1. *Based on the balance sheet as at 30 June 2017, the Group's average closing security price over 20 consecutive business days would need to be below $4.22 (2016: $4.26) per security to trigger this clause.*
2. *The first relevant calculation date is in December 2017, three years from project substantial completion.*

B15 Derivatives and financial risk management

Derivatives

	2017 $M		2016 $M	
	Current	Non-current	Current	Non-current
Assets				
Interest rate swap contracts – cash flow hedges	–	8	–	–
Cross-currency interest rate swap contracts – cash flow hedges	–	74	–	121
Total derivative financial instrument assets	–	82	–	121
Liabilities				
Interest rate swap contracts – cash flow hedges	2	128	12	279
Forward exchange contracts – cash flow hedges	1	–	2	–
Cross-currency interest rate swap contracts – cash flow hedges	2	234	3	114
Total derivative financial instrument liabilities	5	362	17	393

B15 Derivatives and financial risk management (continued)

Accounting policy

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges);
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges); or
- hedges of a net investment in a foreign operation (net investment hedges).

At the inception of the hedging transaction the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in this note. Movements in the cash flow hedging reserve in shareholders' equity are shown in note B12. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps and cross currency swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in profit or loss.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Gains and losses accumulated in equity are included in profit or loss when the foreign operation is partially disposed of or sold.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

B15 Derivatives and financial risk management (continued)

Hedging strategy and instruments used by the Group

The Group uses derivative financial instruments in the normal course of business in order to hedge exposures to fluctuations in interest rates and foreign exchange rates in accordance with the Group's financial risk management policies. The Group's policies allow derivative transactions to be undertaken for the purpose of reducing risk and do not permit speculative trading. The instruments used by the Group are as follows:

Interest rate swap contracts – cash flow hedges

The Group uses interest rate swap contracts to manage the Group's exposure to variable interest rates related to borrowings. Interest rate swap contracts currently in place cover 98% (2016: 100%) of the variable debt held by the Group (excluding working capital facilities).

Forward exchange contracts – cash flow hedges

The Group currently uses forward exchange contracts to protect against exchange rate movements between the AUD and foreign currencies. The Group has hedged a portion of its USD interest commitments and its capital expenditure commitments.

Cross-currency interest rate contracts – cash flow hedges

The Group has entered into cross-currency interest rate swap contracts to remove the risk of unfavourable exchange rate movements on borrowings held in foreign currencies. Under these contracts, the Group receives foreign currency at fixed rates and pays AUD at either fixed or floating rates. The Group then uses the interest rate swap contracts to hedge the floating interest rate commitments back to fixed interest rates.

Offsetting financial assets and financial liabilities

Currently there is no right or basis to present any financial assets or financial liabilities on a net basis, and as such no financial assets or financial liabilities have been presented on a net basis in the Group's balance sheet at the end of the financial year.

Hedge of net investment in foreign entity

Transurban's investment in its US based assets (495 Express Lanes and 95 Express Lanes) acts as a natural hedge against the exposure to foreign currency movements for a portion of the Group's USD denominated borrowings. Exchange differences arising on the revaluation of these USD denominated borrowings are recognised in profit or loss in the separate financial statements of Transurban Finance Company Pty Limited. In the Group financial statements these exchange differences are recognised in the foreign currency translation reserve in equity and will be transferred to profit or loss when the Group disposes its interest in the US based assets. As at 30 June 2017, the Group has deferred $43 million in losses (2016: $94 million losses).

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The financial risk management function is carried out centrally under the policies approved by the Board. The Group reviews operations actively to identify and monitor all financial risks and to mitigate these risks through the use of hedging instruments where appropriate. The Board is informed on a regular basis of any material exposures to financial risks.

The Group continuously monitors risk exposures over time through review of cash flows, price movements, market analysis and ongoing communication within the Group. When measuring financial risk, the Group considers positive and negative exposures, existing hedges and the ability to offset exposures where possible.

B15 Derivatives and financial risk management (continued)

Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk when future transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

Foreign currency exposures are viewed as either investment exposures or operating exposures. Exposures from investments in foreign assets are generally managed using foreign currency debt. All known material operating exposures out to 12 months are hedged, either using hedging instruments, or are offset by drawing on foreign currency funds.

Exposure to foreign currency risk at the reporting date, denominated in the currency in which the risk arises, was as follows:

	2017 Local $M					2016 Local $M				
	USD	EUR	CAD	CHF	NOK	USD	EUR	CAD	CHF	NOK
Net investment in foreign operation	**1,253**	**–**	**–**	**–**	**–**	1,192	–	–	–	–
Borrowings	**(3,001)**	**(1,600)**	**(250)**	**(375)**	**(750)**	(2,094)	(1,600)	(250)	(200)	–
Cross-currency interest rate swaps	**2,009**	**1,600**	**250**	**375**	**750**	1,122	1,600	250	200	–
Net exposure	**261**	**–**	**–**	**–**	**–**	220	–	–	–	–

Sensitivity

Sensitivity to exchange rate movements based on the translation of financial instruments held at the end of the period is as follows:

	2017 $M		2016 $M	
	Movement in post-tax profit	Increase / (decrease) in equity	Movement in post-tax profit	Increase / (decrease) in equity
AUD/USD				
+ 10 cents	**–**	**(75)**	–	(68)
- 10 cents	**–**	**104**	–	93
AUD/EUR				
+ 5 cents	**–**	**(36)**	–	(45)
- 5 cents	**–**	**46**	–	58
AUD/CAD				
+ 10 cents	**–**	**(1)**	–	(2)
- 10 cents	**–**	**1**	–	3
AUD/CHF				
+ 10 cents	**–**	**(15)**	–	(10)
- 10 cents	**–**	**27**	–	17
AUD/NOK				
+ 50 cents	**–**	**(2)**	–	–
- 50 cents	**–**	**2**	–	–

The Group revalues its foreign currency denominated borrowings each period using market spot rates and, where these borrowings have been appropriately hedged, defers these movements in the cash flow hedge reserve in equity. The volatility in the cash flow hedge reserve is caused mainly by fair value movements of the cross currency interest rate swaps, which are affected by changes in forward Australian dollar/foreign currency exchange rates.

B15 Derivatives and financial risk management (continued)

Interest rate risk

The Group's main exposure to interest rate risk arises from cash and cash equivalents, and long-term borrowings. The Group manages interest rate risk by entering into fixed rate debt facilities or by using interest rate swaps to convert floating rate debt to fixed interest rates. Generally, the Group raises long term borrowings at floating interest rates and swaps them into fixed interest rates that are lower than those available if the Group borrowed at fixed rates directly. The Group's policy is to hedge interest rate exposure at a minimum in compliance with the covenant requirements of funding facilities and up to 100%. Covenant requirements vary by debt facility, and require a minimum of between 50% and 80% of the interest rate exposure to be hedged. At 30 June 2017, 97% (2016: 99%) of the Group's interest rate exposure on variable rate borrowings was hedged.

As at the reporting date, the Group had the following cash balances, variable rate borrowings and interest rate swap contracts outstanding:

	2017 $M	2016 $M
Cash and cash equivalents	**988**	834
Floating rate borrowings	**(3,761)**	(4,693)
Interest rate swaps (notional principal amount)	**3,652**	4,631
Net exposure to interest rate risk	**879**	772

Sensitivity

Sensitivity to interest rate movements based on variable rate obligations is as follows:

	Movement in post-tax profit	
	2017 $M	2016 $M
Interest rates +100bps	**9**	8
Interest rates –100bps	**(9)**	(8)

Credit risk

The Group has no significant concentrations of credit risk from operating activities, and has policies in place to ensure that transactions are made with commercial customers with an appropriate credit history. However, as an operator of large infrastructure assets, the Group is exposed to credit risk with its financial counterparties through entering into financial transactions through the ordinary course of business. These include funds held on deposit, cash investments and the market value of derivative transactions.

The Group assesses the credit strength of potential financial counterparties using objective ratings provided by multiple independent rating agencies. The Board approved policies ensure that higher limits are granted to higher rated counterparties. The Group also seeks to mitigate its total credit exposure to counterparties by only dealing with credit worthy counterparties, limiting the exposure to any one counterparty, minimising the size of the exposure where possible through netting offsetting exposures, diversifying exposures across counterparties, closely monitoring changes in total credit exposures and changes in credit status, and taking mitigating action when necessary.

Liquidity risk

The Group maintains sufficient cash and undrawn facilities to maintain short term flexibility and enable the Group to meet financial commitments in a timely manner. The Group assesses liquidity over the short term (up to 12 months) and medium term (one to five years) by maintaining accurate forecasts of operating expenses, committed capital expenditure and payments to security holders. Long term liquidity requirements are reviewed as part of the annual strategic planning process.

Short term liquidity is managed by maintaining a strategic liquidity reserve. This reserve is based on the Group's forecast annual operating costs and certain risk exposure scenarios as maintained by the Group's strategic risk register, and is maintained as cash and undrawn facilities. The reserve is maintained on a rolling 12 month basis. Medium term liquidity forecasting is maintained on a rolling five year horizon.

B15 Derivatives and financial risk management (continued)

Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2017 $M	2016 $M
Floating rate		
Expiring within one year	407	349
Expiring beyond one year	434	527
	841	876

As at 30 June 2017, the Group has letter of credit facilities and general credit facilities in place with undrawn capacity of $8 million (2016: $22 million). The facilities are committed for the term of the facility and cannot be withdrawn by the lenders without notice.

Contractual maturities of financial liabilities

The amounts disclosed in the table are the contractual undiscounted cash flows of the Group's financial liabilities. For interest rate swaps, the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

2017 $M	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Trade payables	347	–	–	–	–	–	347	347
Borrowings	1,158	1,677	1,353	2,377	812	12,567	19,944	13,748
Interest rate swaps	51	33	22	8	7	24	145	122
Cross-currency swaps	121	115	116	99	96	(440)	107	163
Concession and promissory notes	–	–	–	–	–	493	493	78
Other liabilities	45	155	–	–	–	–	200	186
Total	1,722	1,980	1,491	2,484	915	12,644	21,236	14,644

2016 $M	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Trade payables	410	–	–	–	–	–	410	410
Borrowings	652	1,738	1,615	1,677	2,293	11,249	19,224	12,873
Interest rate swaps	81	69	55	33	18	78	334	291
Cross-currency swaps	93	80	54	74	51	(419)	(67)	(2)
Concession and promissory notes	–	–	–	–	–	466	466	67
Other liabilities	–	45	155	–	–	–	200	177
Total	1,236	1,932	1,879	1,784	2,362	11,374	20,567	13,816

Capital risk management

The Group is subject to a gearing ratio covenant imposed by senior secured lenders and monitors capital on the basis of the gearing ratio to ensure compliance with the covenant. There have been no breaches of the covenant during the current financial year. For further information refer to the Borrowings note B14.

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital, so that it can continue to provide returns to security holders and benefits for other stakeholders.

B15 Derivatives and financial risk management (continued)

Fair value measurements

The carrying value of the Group's financial assets and liabilities approximate fair value. This is also generally the case with borrowings since either the interest payable on those borrowings is close to current market rates or the borrowings are of a short-term nature. The fair values of non-current borrowings are determined based on discounted cash flows using a current borrowing rate. They are classified as level 2 fair values in the fair value hierarchy due to the use of observable inputs.

Fair value is categorised within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement as a whole:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All of the Group's financial instruments measured, recognised and disclosed at fair value were valued using market observable inputs (Level 2). There were no transfers between levels during the period and there has been no change in the valuation techniques applied.

Key estimate
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each reporting date. The fair value of both cross-currency interest rate swaps and interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period.

Network summary

The table below summarises the key balance sheet items of the Group's concession assets by network:

2017 $M	Equity accounted investment carrying amount	Concession assets	Assets under construction	Goodwill	Maintenance provision	Non-recourse borrowings
Melbourne	**–**	**2,364**	**855**	**1**	**(134)**	**–**
Sydney	**654**	**5,005**	**73**	**260**	**(169)**	**(2,011)**
Brisbane	**–**	**7,935**	**85**	**205**	**(624)**	**(4,360)**
GWA	**–**	**2,489**	**58**	**–**	**(67)**	**(1,794)**
Net book amount	**654**	**17,793**	**1,071**	**466**	**(994)**	**(8,165)**

2016 $M	Equity accounted investment carrying amount	Concession assets	Assets under construction	Goodwill	Maintenance provision	Non-recourse borrowings
Melbourne	–	2,498	340	1	(128)	–
Sydney	971	5,176	34	260	(158)	(1,810)
Brisbane	–	8,112	13	205	(599)	(4,269)
GWA	–	2,613	7	–	(45)	(1,793)
Net book amount	971	18,399	394	466	(930)	(7,872)

B16 Intangible assets

2017 $M	Concession assets	Assets under construction	Goodwill	Total
Cost	**22,639**	**1,071**	**466**	**24,176**
Accumulated amortisation	**(4,846)**	**–**	**–**	**(4,846)**
Net book amount	**17,793**	**1,071**	**466**	**19,330**

2016 $M	Concession assets	Assets under construction	Goodwill	Total
Cost	22,684	394	466	23,544
Accumulated amortisation	(4,285)	–	–	(4,285)
Net book amount	18,399	394	466	19,259

B16 Intangible assets (continued)

Movement in intangible assets

	Concession assets $M	Assets under construction $M	Goodwill $M	Total $M
Opening balance 1 July 2015	16,716	138	466	17,320
Additions	165	332	–	497
Acquisition of subsidiary	1,891	–	–	1,891
Currency and other adjustments	78	–	–	78
Transfers	76	(76)	–	–
Amortisation charge	(527)	–	–	(527)
Net book amount 30 June 2016	**18,399**	**394**	**466**	**19,259**
Additions	**–**	**679**	**–**	**679**
Acquisition of subsidiary	**–**	**–**	**–**	**–**
Currency and other adjustments	**(45)**	**(2)**	**–**	**(47)**
Transfers	**–**	**–**	**–**	**–**
Amortisation charge	**(561)**	**–**	**–**	**(561)**
Net book amount 30 June 2017	**17,793**	**1,071**	**466**	**19,330**

Concession assets

Concession assets represent the Group's rights to operate roads under Service Concession Arrangements. All concession assets are classified as intangible assets and are amortised on a straight line basis over the term of the right to operate the asset.

Transurban has the right to toll the concession assets for the concession period. Extensions to the concession period have been granted during the period for a number of individual concessions as a result of road development projects and improvements. At the end of the concession period, all concession assets are returned to the respective Government. The remaining terms of the right to operate are reflected below:

	2017 Years	2016 Years
Melbourne – Victorian State Government	18	19
Sydney – New South Wales State Government	19 – 31	20 – 32
Brisbane – Queensland State Government and Brisbane City Council	34 – 48	35 – 49
GWA – Virginia State Government	70	71

Assets under construction

Assets under construction include upgrade works as part of the CityLink-Tulla Widening project in Melbourne, Hills M2 – NorthConnex Integration works in Sydney, the Logan Enhancement Project and the Inner City Bypass Project in Brisbane, and 95 Express Lanes Southern Extension in GWA. Construction costs relating to completed works are transferred to the concession asset upon final completion of the projects.

Goodwill

Goodwill primarily relates to the Group's Sydney Network and Brisbane Network and has arisen from the acquisition of Hills Motorway Group, Tollaust Pty Limited and the Sydney Roads Group in Sydney and the Queensland Motorways Group in Brisbane.

B16 Intangible assets (continued)

Impairment testing of goodwill and other intangible assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes an estimate of the recoverable amount. Goodwill is tested for impairment on an annual basis, regardless of whether an indicator of impairment exists.

Recoverable amount is the greater of fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Where the carrying amount of an intangible asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount through profit or loss. The decrement in the carrying amount is recognized as an expense in profit or loss in the reporting period in which the impairment occurs.

The recoverable amount of the Group's cash generating units have been determined based on value-in-use calculations.

The following table sets out the key assumptions on which management has based its cash flow projections. The calculations use 3 year cash flow projections based on financial budgets reviewed by the Board. Cash flows beyond this period are modelled using a consistent set of long-term assumptions up to the end of the applicable concession period:

	Melbourne		Sydney		Brisbane		GWA	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Long term CPI (% annual growth)	**2.5%**	2.5%	**2.5%**	2.5%	**2.7%**	2.7%	**2.5%**	2.5%
Long term average weekly earnings (% annual growth)	**3.5%**	4.0%	**3.5%**	4.0%	**3.5%**	4.0%	**3.0%**	3.0%
Pre-tax discount rate (%)	**8.2%**	8.2%	**8.2%**	8.2%	**8.2%**	8.2%	**8.2%**	8.2%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	**Approach used to determine values**
Traffic volume	Based on historical trends and the Group's long term traffic forecasting models
Long term CPI (% annual growth)	Based on independent external forecasts
Long term average weekly earnings (% annual growth)	Based on independent external forecasts
Pre-tax discount rate	Discount rates consider specific risks relating to the CGU. In performing the value-in-use calculations for each CGU, the Group has applied post-tax discount rates to discount the forecast future attributable post tax cash flows. The equivalent pre-tax discount rates are disclosed in the table above.

Key estimate

The Group makes certain assumptions in calculating the recoverable amount of its goodwill and other intangible assets. These include assumptions around expected traffic flows and forecast operational costs. In performing the value-in-use calculation, the Group has applied the assumptions noted in the above table. Management does not consider that any reasonable possible change in the assumptions will result in the carrying value of a CGU exceeding its recoverable amount.

B17 Maintenance provision

Movement in maintenance provision

	Current $M	Non-current $M
Carrying value at 1 July 2015	82	733
Additional provision recognised	97	–
Acquisition of subsidiary	4	20
Amounts paid/utilised	(50)	–
Unwinding of discount	–	41
Transfer	(42)	42
Movement in foreign exchange	3	–
Carrying value at 30 June 2016	**94**	**836**
Additional provision recognised	**103**	**–**
Amounts paid/utilised	**(78)**	**–**
Unwinding of discount	**–**	**38**
Transfer	**(21)**	**21**
Movement in foreign exchange	**1**	**–**
Carrying value at 30 June 2017	**99**	**895**

Key estimate

As part of its obligations under the service concession arrangements, the Group assumes responsibility for the maintenance and repair of installations of the publicly owned roads it operates. The Group records a provision for its present obligation to maintain the motorways held under concession deeds. The provision is included in the financial statements at the present value of expected future payments. The calculations to discount these amounts to their present value are based on the estimated timing and profile of expenditure occurring on the roads.

B18 Other liabilities – concession and promissory notes

	2017 $M	2016 $M
M1 Eastern Distributor concession note	**40**	**33**
M2 Motorway promissory note	**38**	**34**
Total	**78**	**67**

Key estimate

The Group has non-interest bearing long term debt, represented by promissory notes and concession notes payable to the Government, measured at the present value of expected future payments. The calculations to discount these notes to their present value are based on the estimated timing and profile of the repayments. Assumptions are made in determining the timing and profile, based on expected available equity cash flows of the Group's cash generating units. A discount rate is used to value the promissory notes and concession notes to their present value, which is determined through reference to other facilities in the market with similar characteristics. A discount rate of 12% (2016: 12%) has been used, which recognises the subordinated nature of these notes.

B18 Other liabilities – concession and promissory notes (continued)

M1 Eastern Distributor

The Eastern Distributor project deed between Airport Motorway Limited, Airport Motorway Trust and the New South Wales Roads and Maritime Services ('RMS') provides for annual concession fees of $15 million during the construction phase and for the first 24 years after completion of construction of the M1 Eastern Distributor. Until a certain threshold return is achieved, payments of concession fees due under the Project Deed will be satisfied by means of the issue of non-interest bearing concession notes.

The face value of concession notes on issue at 30 June 2017 is $300 million (2016: $285 million).

M2 Motorway

The Hills Motorway Trust has entered into leases with the RMS. Annual lease liabilities under these leases total $12 million (2016: $11 million), indexed annually to the consumer price index over the estimated period that the M2 Motorway will be used. Until such time as a threshold return is achieved, payments under these leases can be made at any time at the discretion of the trustee of the Hills Motorway, by means of the issue of non-interest bearing promissory notes to the RMS.

The face value of promissory notes on issue at 30 June 2017 is $193 million (2016: $181 million).

Group structure

B19 Principles of consolidation

Subsidiaries

Subsidiaries are fully consolidated from the date the Group gains control of the subsidiary and are de-consolidated from the date that control ceases.

In preparing the consolidated financial statements of the Group, all inter-entity transactions and balances have been eliminated. The accounting policies adopted by the individual entities comprising the Group are consistent with the parent company.

Non-controlling interests consist of two components:

- Non-controlling interest – other: external non-controlling interests relating to Transurban Queensland and Eastern Distributor in the results and equity of subsidiaries are shown separately in the Group financial statements.
- Non-controlling interests that relate to THT and TIL are presented separately, but relate to equity holders of the stapled group.

Associates and joint ventures

Associates are all entities over which the Group has significant influence but not control and relate to the Group's investments in Interlink M5 and the NorthWestern Roads Group (which holds the Westlink M7 and NorthConnex assets).

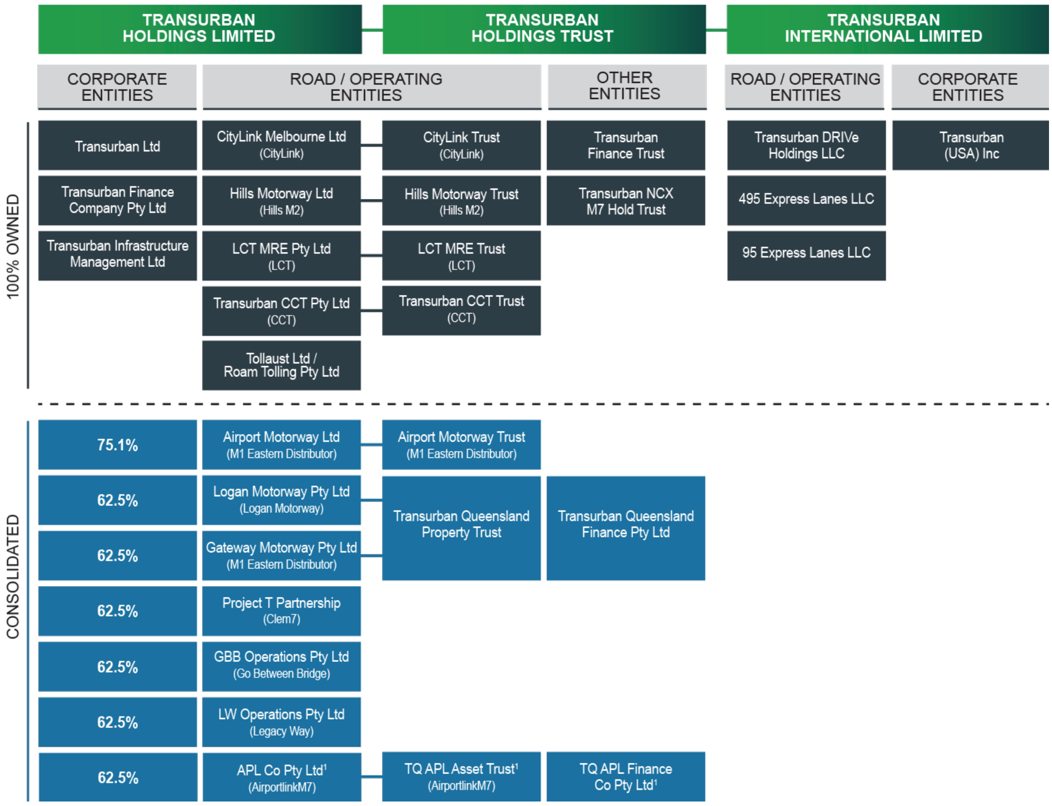
The Group's share of the post-acquisition profits or losses in associates is recognised in profit or loss and its share of post-acquisition movements in reserves is recognised in other comprehensive income. These post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's cumulative share of losses in an associate exceeds its investment in the asset, the Group does not recognise any further losses from this point. Dividends received from the assets listed above reduce the carrying amount of the investment.

Changes in ownership interest

The Group treats transactions with non-controlling interests that do not result in a loss of control, as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity.

B20 Material subsidiaries

The Group's material subsidiaries are outlined in the Group structure diagram below.



1. Acquisition of AirportlinkM7 occurred on 1 April 2016.

B21 Business combinations

Accounting policy

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

B21 Business combinations (continued)

AirportlinkM7

The financial statements for the year ended 30 June 2016 included disclosure of the provisional fair values of the identifiable assets and liabilities of the AirportlinkM7 concession acquired on 1 April 2016. The fair values were provisional at 30 June 2016 due to the complexity of the valuation process. Subsequent to 30 June 2016, management has made the following adjustments to the business combination accounting.

	Provisional fair value reported at 30 Jun 2016 $M	Adjustments to provisional fair value $M	Final fair value $M
Cash and cash equivalents	1	-	1
Trade and other receivables	2	(1)	1
Deferred tax assets	4	-	4
Intangible assets	1,880	11	1,891
Trade and other payables	(3)	-	(3)
Provisions	(14)	(10)	(24)
Total identified assets acquired	**1,870**	**-**	**1,870**

B22 Equity accounted investments

Below is the reconciliation of the equity accounted carrying value of investments:

	NorthWestern Roads Group		M5 Motorway		Total	
	2017 $M	**2016 $M**	**2017 $M**	**2016 $M**	**2017 $M**	**2016 $M**
Opening carrying value 1 July	**778**	872	**193**	220	**971**	1,092
Group's share of net profits	**–**	–	**25**	17	**25**	17
Group's recognised share of other comprehensive income[1]	**–**	–	**8**	(11)	**8**	(11)
Dividends received	**(290)**	(94)	**(60)**	(33)	**(350)**	(127)
Closing carrying value	**488**	778	**166**	193	**654**	971
Cumulative losses not recognised[1]	**526**	591	**–**	–	**526**	591

1. *The Group's share of profits from the investment in the NWRG are currently not recognised until such time as cumulative losses have been fully utilised.*

Joint ventures

NorthWestern Roads Group (50% ownership interest)

The Group has a 50% ownership interest in the NorthWestern Roads Group, which holds 100% of the Westlink M7 Group and the NorthConnex Group. Westlink M7 holds the concession to design, construct, finance and operate the Westlink M7 Motorway in Sydney for a period of 43 years from the date of operation (16 December 2005) until June 2048, and NorthConnex holds the concession to design, construct, finance and operate the NorthConnex Tunnel in Sydney until 2048.

The following entities are a part of the Westlink Group:

- WSO Co Pty Limited (the operator of the Motorway).
- Westlink Motorway Limited (the nominee manager of the Westlink Motorway Partnership).
- WSO Finance Pty Limited (the financier of the Motorway).
- Westlink Motorway Partnership (was responsible for the construction of the Motorway).

The following entities are part of the NorthConnex Group:

- NorthConnex Company Pty Limited (the operator of the Motorway).
- NorthConnex Finance Company Pty Limited (the financier of the Motorway).
- NorthConnex State Works Contractor Pty Limited (was responsible for the construction of the Motorway).

B22 Equity accounted investments (continued)

M5 Motorway (50% ownership interest)

Tolls are collected on the M5 in both directions, with four toll collection points. The concession for the M5 Motorway was extended to December 2026 following completion of the M5 widening. At the end of the concession, all concession assets will be returned to the NSW State Government.

Summarised financial information of equity accounted investments

Set out below is the summarised financial information for those investments accounted for using the equity method. The summarised financial information presented below is on a 100 per cent basis for each equity accounted investment.

	NorthWestern Roads Group		M5 Motorway		Total	
	2017 $M	**2016 $M**	**2017 $M**	**2016 $M**	**2017 $M**	**2016 $M**
Summarised balance sheet – 100%						
Cash and cash equivalents	**123**	84	**136**	111	**259**	195
Other current assets	**127**	50	**20**	19	**147**	69
Non-current assets	**3,156**	3,086	**378**	419	**3,534**	3,505
Current liabilities	**(498)**	(325)	**(87)**	(84)	**(585)**	(409)
Non-current liabilities	**(3,094)**	(2,668)	**(927)**	(946)	**(4,021)**	(3,614)
Net (liabilities)/assets	**(186)**	227	**(480)**	(481)	**(666)**	(254)
Summarised statement of comprehensive income – 100%						
Revenue	**401**	343	**282**	261	**683**	604
Construction revenue	**135**	135	**–**	–	**135**	135
Depreciation and amortisation	**(81)**	(81)	**(43)**	(43)	**(124)**	(124)
Other expenses	**(65)**	(54)	**(39)**	(39)	**(104)**	(93)
Construction expenses	**(135)**	(135)	**–**	–	**(135)**	(135)
Interest expense	**(196)**	(145)	**(45)**	(48)	**(241)**	(193)
Income tax benefit/(expense)	**6**	(12)	**(50)**	(43)	**(44)**	(55)
Profit/(loss)	**65**	51	**105**	88	**170**	139
Other comprehensive income	**58**	11	**16**	(23)	**74**	(12)
Total comprehensive income	**123**	62	**121**	65	**244**	127

The following table reconciles the above summarised financial information presented on a 100 per cent basis to the proportional amounts recognised by the Group

	NorthWestern Roads Group 2017	NorthWestern Roads Group 2016	M5 Motorway 2017	M5 Motorway 2016	Total 2017	Total 2016
Ownership interest	**50%**	50%	**50%**	50%	**50%**	50%
Proportional total comprehensive income	**61**	31	**60**	33	**121**	64
Amortisation of fair value uplift	**–**	–	**(27)**	(27)	**(27)**	(27)
Group's share of comprehensive income	**61**	31	**33**	6	**94**	37
Profits not recognised	**(61)**	(31)	**–**	–	**(61)**	(31)
Group's recognised share of total comprehensive income	**–**	–	**33**	6	**33**	6
Group's share of dividends/distributions received	**290**	94	**60**	33	**350**	127

B23 Non-controlling interests – other

Set out below is summarised financial information for each material subsidiary (see note B20) that has non-controlling interests (NCI) that are material and external to the stapled Group and the total external non-controlling interest. The amounts disclosed are before inter-company eliminations.

	Transurban Queensland 37.5%		Airport Motorway 24.9%		Total non-controlling interests	
	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M
Summarised balance sheet						
Current assets	**132**	244	**8**	10	**140**	254
Non-current assets	**8,933**	9,069	**1,701**	1,740	**10,634**	10,809
Current liabilities	**(195)**	(283)	**(215)**	(211)	**(410)**	(494)
Non-current liabilities	**(5,662)**	(5,549)	**(1,093)**	(1,099)	**(6,755)**	(6,648)
Net assets	**3,208**	3,481	**401**	440	**3,609**	3,921
Carrying amount of NCI	**1,204**	1,305	**100**	110	**1,312**	1,423
Summarised statement of comprehensive income						
Revenue	**619**	512	**136**	127	**755**	639
Expenses	**(718)**	(731)	**(107)**	(107)	**(825)**	(838)
(Loss)/profit for the year	**(99)**	(219)	**29**	20	**(70)**	(199)
Other comprehensive income (OCI)	**20**	(70)	**7**	4	**27**	(66)
Total comprehensive income	**(79)**	(289)	**36**	24	**(43)**	(265)
(Loss)/profit allocated to NCI	**(37)**	(82)	**7**	5	**(30)**	(77)
OCI allocated to NCI	**7**	(26)	**2**	1	**9**	(25)
Summarised cash flows						
Cash flows from operating activities	**33**	118	**71**	60	**104**	178
Cash flows from investing activities	**(74)**	(2,006)	**–**	–	**(74)**	(2,006)
Cash flows from financing activities	**(81)**	2,027	**(73)**	(59)	**(154)**	1,968
Net (decreases)/increases in cash and cash equivalents	**(122)**	139	**(2)**	1	**(124)**	140

B24 Deed of cross and intra-group guarantees

Deed of cross guarantee

Transurban Holdings Limited, Transurban Limited, Tollaust Pty Limited, Roam Tolling Pty Limited, Sydney Roads Limited, Sydney Roads Management Limited, Statewide Roads Limited, M4 Holdings No. 1 Pty Limited, M5 Holdings Pty Limited and Devome Pty Limited are party to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under Instrument 2016/785 issued by the Australian Securities and Investments Commission. The companies represent a 'closed group' for the purposes of the Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by THL, they also represent the 'extended closed group'.

Set out on the next page is the summary financial information of the closed group:

B24 Deed of cross and intra-group guarantees (continued)

	2017 $M	2016 $M
Summarised statement of comprehensive income		
Revenue	425	578
Operating costs	(245)	(208)
Depreciation and amortisation expense	(58)	(47)
Net finance costs	(101)	(22)
Profit before income tax	21	301
Income tax benefit	69	59
Profit for the year	90	360
Total comprehensive income for the year	90	360
Summarised movements in retained earnings		
Accumulated losses at the beginning of the year	(403)	(624)
Profit for the year	90	360
Dividends provided for or paid	(144)	(139)
Retained earnings at the end of the year	(457)	(403)
Summarised balance sheet		
Current assets		
Cash and cash equivalents	374	63
Trade and other receivables	2,941	2,225
Total current assets	3,315	2,288
Non-current assets		
Other financial assets	2,187	2,384
Property, plant and equipment	296	248
Intangible assets	81	–
Deferred tax assets	454	496
Total non-current assets	3,018	3,128
Total assets	6,333	5,416
Current liabilities		
Trade and other payables	4,918	4,249
Provisions	103	95
Total current liabilities	5,021	4,344
Non-current liabilities		
Payables	299	17
Deferred tax liabilities	11	22
Provisions	8	13
Total non-current liabilities	318	52
Total liabilities	5,339	4,396
Net assets	994	1,020
Equity		
Contributed equity	1,450	1,422
Other reserves	1	1
Retained earnings	(457)	(403)
Total equity	994	1,020

Intra–group guarantees

As at 30 June 2017, the Transurban Group comprises Transurban Holdings Limited, Transurban Holding Trust and Transurban International Limited, traded and quoted on the ASX as one triple stapled security. Under the stapling arrangement, each entity is able to provide direct and/or indirect support to each other entity and its controlled entities within the Group on a continual basis.

Items not recognised

B25 Contingencies

Contingent liabilities

Contingent consideration

As a result of the acquisition of the concession assets noted below, the Group may be required to make further payments to the respective vendors in the event that the traffic and toll revenue performance of the relevant asset exceeds certain criteria. The contingent consideration is recorded at the end of each reporting period at its fair value based upon the same traffic and revenue assumptions as outlined in note B16. The following table details the current carrying value of the contingent consideration recognised within 'Other provisions' in the consolidated balance sheet, the maximum nominal value that could be paid under each contract and the date at which the contingent consideration is assessed and becomes payable:

	Carrying value $M	Maximum consideration payable $M	Assessment / payment date
Cross City Tunnel	–	28	Dec 2017
Legacy Way Tunnel	89	Unlimited[1]	Jun 2020
Go-Between Bridge	1	Unlimited[1]	Jun 2018

1. The maximum consideration payable will reflect a portion of the cumulative outperformance of the concession asset as compared against an internal rate of return agreed between Transurban Queensland and the Brisbane City Council.

Other contingent liabilities

As part of the Inner City Bypass (ICB) project an increase to the truck toll multiplier is scheduled to be applied to the Brisbane City Council (BCC) Assets. This requires approval from the Queensland State Government before the change to the multiplier can take effect. This could result in a payment being made by Transurban to the BCC of up to $15 million.

As at 30 June 2017, approval of the multiplier increase has not been received or denied from the State, and as such no payment amount has been recorded.

Parent entity

The parent entity does not have any contingent liabilities at reporting date (2016: nil).

Equity accounted investments

The equity accounted investments of the Group do not have any contingent liabilities at reporting date (2016: nil).

B26 Commitments

	Operating commitments		Capital commitments		Operating lease commitments	
	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M
Within one year	166	121	514	499	6	5
Later than one year but not later than five years	322	312	168	200	22	22
Later than five years	139	207	–	–	14	20
	627	640	682	699	42	47

Share of commitments for equity accounted investments

	NorthWestern Roads Group 50%		M5 Motorway 50%		Total	
	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M
Capital commitments	859	1,078	1	–	860	1,078
Operating commitments	331	419	2	2	333	421
	1,190	1,497	3	2	1,193	1,499

B27 Subsequent events

The following events have occurred subsequent to year end:

- On 4 July 2017, Transurban Finance Company reached contractual close on a new $1,100 million corporate Syndicated Bank Debt Facility, broken down into three tranches of $360 million, $375 million and $365 million. In addition, $225 million of corporate bilateral letter of credit facilities also closed on this date. Financial close was reached on 7 July 2017. These facilities replaced the existing $900 million bilateral working capital facilities and will provide extra liquidity headroom.
- On 26 July 2017, the Group reached financial close on the US$475 million 395 Express Lanes project. Financing for the project includes approximately US$233 million in private activity bonds (par amount), which settled in July, and a US$45 million loan from the Virginia Transportation Infrastructure Bank. Construction of the project commenced in July 2017 and is expected to be complete in late 2019.

Other than what is noted above and as disclosed elsewhere in this report, there has not arisen in the interval between the end of the financial year and the date of this report any matter or circumstance that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or Group's state of affairs, in future financial years.

Other

B28 Related party transactions

	Joint ventures	
	2017 $'000	**2016 $'000**
Transactions with related parties		
Revenue from services	**17,501**	14,657
Interest income	**42,490**	23,283
Outstanding balances with related parties		
Held-to-maturity investments		
M5 debt notes	**70,000**	70,000
NorthConnex shareholder loan notes	**516,069**	298,964
	586,069	368,964

No provision for doubtful debts has been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts from related parties.

Transactions with related parties

Revenue for services

Revenue relates to tolling services provided to related parties.

Interest income

Interest income relates to interest earned on held to maturity investments as noted below.

Held to maturity investments

M5 debt notes

The M5 debt notes are Transurban's debt funding contribution to the M5 West Widening Project. The fixed maturity date of the notes is 10 years after financial close of the Project. The interest rate charged on these notes is currently fixed at 5.0%.

NorthConnex shareholder loan notes

The Shareholder loan notes ('SLNs') earn interest at a fixed rate of 9.0% until the final day of the NorthConnex concession period. Any unpaid interest is capitalised and deemed to subscribe for further loan notes with an aggregate principal amount equal to that unpaid interest.

The SLNs are classified as a held-to-maturity receivable. They are not classified as an investment for equity accounting purposes, and therefore has not been affected by equity accounting losses from the associate. All SLNs are denominated in Australian currency.

B29 Key management personnel compensation

The remuneration amounts below represent the entire amounts paid by the Group.

	2017 $	**2016 $**
Short-term employee benefits	**12,988,993**	12,204,487
Post-employment benefits	**315,264**	289,149
Long-term benefits	**155,992**	55,829
Share-based payments	**5,343,402**	5,371,997
Deferred short term incentives	**3,266,154**	2,980,450
	22,069,805	20,901,912

Detailed remuneration disclosures including the key management personnel are made in the remuneration report in the Directors' report.

B30 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Group and its related practices:

Amounts received or due and receivable by PricewaterhouseCoopers

	2017 $	2016 $
Audit and other assurance services		
Audit and review of financial reports	**2,237,470**	2,190,000
Other assurance services	**725,730**	444,300
	2,963,200	2,634,300
Other consulting services	**–**	–
Total remuneration for PricewaterhouseCoopers	**2,963,200**	2,634,300
Total auditors remuneration	**2,963,200**	2,634,300

B31 Parent entity disclosures

The financial information for the parent entity, Transurban Holdings Limited, has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are accounted for at cost in the parent entity financial statements of Transurban Holdings Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

Tax consolidation legislation

In addition to its own current and deferred tax amounts, Transurban Holdings Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

Summary financial information

The individual financial statements for the parent entity report the following aggregate amounts:

	2017 $M	2016 $M
Balance sheet		
Current assets	**2,464**	2,259
Total assets	**5,542**	5,868
Current liabilities	**(24)**	(124)
Total liabilities	**(3,826)**	(4,149)
Net assets	**1,716**	1,719
Shareholders' equity		
Contributed equity	**1,450**	1,422
Reserves	**2**	1
Retained earnings	**264**	296
Total equity	**1,716**	1,719
Profit for the year	**113**	376
Total comprehensive income	**113**	376

Guarantees entered into by the parent entity

There are cross guarantees given by Transurban Holdings Limited, Transurban Limited, Tollaust Pty Limited, Roam Tolling Pty Limited, Sydney Roads Limited, Sydney Roads Management Limited, Statewide Roads Limited, M4 Holdings No 1 Pty Limited, M5 Holdings Pty Limited and Devome Pty Limited as described in note B24.

Section C: Transurban Holding Trust ('THT') and Transurban International Limited ('TIL') financial statements

Section D: Notes to the THT and TIL financial statements

Transurban Holding Trust and Transurban International Limited
Consolidated statement of comprehensive income
for the year ended 30 June 2017

	Note	Transurban Holding Trust		Transurban International Limited	
		2017 $M	2016 $M	2017 $M	2016 $M
Revenue	D4	**764**	641	**233**	174
Employee benefits expense		**–**	–	**(20)**	(16)
Road operating costs		**(2)**	(4)	**(63)**	(60)
Construction costs		**(87)**	(35)	**(24)**	–
Transaction and integration costs		**–**	(98)	**–**	–
Corporate and other expenses		**(2)**	(1)	**(14)**	(12)
Total expenses		**(91)**	(138)	**(121)**	(88)
Earnings before depreciation and amortisation, net finance costs, equity accounted investments and income tax		**673**	503	**112**	86
Depreciation and amortisation expense		**(310)**	(276)	**(40)**	(37)
Net finance costs	D9	**(161)**	(53)	**(164)**	(234)
Profit/(loss) before income tax		**202**	174	**(92)**	(185)
Income tax benefit/(expense)		**–**	(1)	**41**	31
Profit/(loss) for the year		**202**	173	**(51)**	(154)
Profit/(loss) is attributable to:					
Ordinary security holders of TIL		**–**	–	**(51)**	(154)
Ordinary unit holders of THT		**207**	209	**–**	–
Non–controlling interests	D15	**(5)**	(36)	**–**	–
		202	173	**(51)**	(154)
Other comprehensive income					
Items that may be reclassified to profit or loss					
Changes in the fair value of cash flow hedges, net of tax		**56**	(75)	**16**	(20)
Exchange differences on translation of foreign operations, net of tax		**–**	–	**20**	(11)
Movement in share-based payments reserve		**1**	–	**–**	–
Other comprehensive income for the year, net of tax		**57**	(75)	**36**	(31)
Total comprehensive income for the year		**259**	98	**(15)**	(185)
Total comprehensive income for the year is attributable to:					
Ordinary security holders of TIL		**–**	–	**(15)**	(185)
Ordinary unit holders of THT		**255**	159	**–**	–
Non-controlling interests		**4**	(61)	**–**	–
		259	98	**(15)**	(185)
		Cents	Cents	**Cents**	Cents
Earnings per security attributable to ordinary security holders of the group:					
Basic and diluted earnings/(loss) per security	D7	**10.1**	10.5	**(2.5)**	(7.8)

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

Transurban Holding Trust and Transurban International Limited
Consolidated balance sheet
for the year ended 30 June 2017

	Note	Transurban Holding Trust		Transurban International Limited	
		2017 $M	2016 $M	2017 $M	2016 $M
ASSETS					
Current assets					
Cash and cash equivalents		**102**	229	**167**	245
Loans to related parties		**1,923**	2,377	**–**	8
Trade and other receivables		**2**	2	**20**	16
Held-to-maturity investments		**–**	–	**157**	–
Total current assets		**2,027**	2,608	**344**	269
Non-current assets					
Equity accounted investments	D14	**478**	768	**–**	–
Derivative financial instruments	D11	**8**	–	**–**	–
Related party receivables		**7,452**	5,966	**–**	–
Concession notes		**946**	961	**–**	–
Property, plant and equipment		**–**	–	**12**	4
Deferred tax assets	D5	**34**	41	**363**	352
Intangible assets	D12	**9,700**	9,920	**2,547**	2,620
Total non-current assets		**18,618**	17,656	**2,922**	2,976
Total assets		**20,645**	20,264	**3,266**	3,245
LIABILITIES					
Current liabilities					
Related party payables		**640**	266	**1,591**	1,560
Trade and other payables		**55**	142	**48**	29
Borrowings	D10	**405**	276	**12**	–
Maintenance provision		**–**	–	**1**	3
Distribution payable	D6	**522**	446	**–**	–
Derivative financial instruments	D11	**1**	11	**–**	–
Other liabilities		**67**	44	**6**	5
Total current liabilities		**1,690**	1,185	**1,658**	1,597
Non–current liabilities					
Maintenance provision		**–**	–	**66**	42
Deferred tax liabilities	D5	**–**	–	**266**	282
Related party payables		**5,162**	4,835	**–**	–
Borrowings	D10	**5,648**	5,483	**1,780**	1,793
Derivative financial instruments	D11	**132**	148	**59**	87
Other liabilities		**81**	89	**1**	–
Total non–current liabilities		**11,023**	10,555	**2,172**	2,204
Total liabilities		**12,713**	11,740	**3,830**	3,801
Net assets/(liabilities)		**7,932**	8,524	**(564)**	(556)
EQUITY					
Contributed equity		**–**	–	**309**	302
Issued units		**10,665**	10,520	**–**	–
Reserves	D8	**(44)**	(92)	**(140)**	(176)
Accumulated losses		**(3,836)**	(3,132)	**(733)**	(682)
Non-controlling interests	D15	**1,147**	1,228	**–**	–
Total equity		**7,932**	8,524	**(564)**	(556)

The above consolidated balance sheets should be read in conjunction with the accompanying notes.

THT

	Attributable to security holders of Transurban Holding Trust					
	No. of units M	Issued units $M	Reserves $M	Accumulated losses $M	Non-controlling interests $M	Total equity $M
Balance at 1 July 2015	1,914	9,584	(43)	(2,579)	1,017	7,979
Comprehensive income						
Profit for the year	–	–	–	209	(36)	173
Other comprehensive income	–	–	(50)	–	(25)	(75)
Total comprehensive income	–	–	(50)	209	(61)	98
Contributions of equity, net of transaction costs	107	823	–	–	330	1,153
Employee share awards issued	1	1	1	–	–	2
Distributions	–	–	–	(762)	–	(762)
Distribution reinvestment plan	14	112	–	–	–	112
Distributions to NCI	–	–	–	–	(58)	(58)
	122	**936**	**–**	**(762)**	**272**	**446**
Balance at 30 June 2016	**2,036**	**10,520**	**(92)**	**(3,132)**	**1,228**	**8,524**
Comprehensive income						
Profit for the year	**–**	**–**	**–**	**207**	**(5)**	**202**
Other comprehensive income	**–**	**–**	**48**	**–**	**9**	**57**
Total comprehensive income	**–**	**–**	**48**	**207**	**4**	**259**
Employee share awards issued	**1**	**3**	**–**	**–**	**–**	**3**
Distributions	**–**	**–**	**–**	**(911)**	**–**	**(911)**
Distribution reinvestment plan	**15**	**142**	**–**	**–**	**–**	**142**
Distributions to NCI	**–**	**–**	**–**	**–**	**(85)**	**(85)**
	16	**145**	**–**	**(911)**	**(85)**	**(851)**
Balance at 30 June 2017	**2,052**	**10,665**	**(44)**	**(3,836)**	**1,147**	**7,932**

TIL

	Attributable to security holders of Transurban International Limited				
	No. of securities M	Contributed equity $M	Reserves $M	Accumulated losses $M	Total equity $M
Balance at 1 July 2015	1,914	279	(145)	(528)	(394)
Comprehensive income					
Loss for the year	–	–	–	(154)	(154)
Other comprehensive income	–	–	(31)	–	(31)
Total comprehensive income	–	–	(31)	(154)	(185)
Contributions of equity, net of transaction costs	107	20	–	–	20
Employee share awards issued	1	–	–	–	–
Distribution reinvestment plan	14	3	–	–	3
	122	**23**	**–**	**–**	**23**
Balance at 30 June 2016	**2,036**	**302**	**(176)**	**(682)**	**(556)**
Comprehensive income					
Loss for the year	**–**	**–**	**–**	**(51)**	**(51)**
Other comprehensive income	**–**	**–**	**36**	**–**	**36**
Total comprehensive income	**–**	**–**	**36**	**(51)**	**(15)**
Employee share awards issued	**1**	**–**	**–**	**–**	**–**
Distribution reinvestment plan	**15**	**7**	**–**	**–**	**7**
	16	**7**	**–**	**–**	**7**
Balance at 30 June 2017	**2,052**	**309**	**(140)**	**(733)**	**(564)**

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

	Note	Transurban Holding Trust 2017 $M	Transurban Holding Trust 2016 $M	Transurban International Limited 2017 $M	Transurban International Limited 2016 $M
Cash flows from operating activities					
Receipts from customers		**652**	574	**207**	167
Payments to suppliers		**(5)**	(2)	**(70)**	(70)
Payments for maintenance of intangibles		**–**	–	**(1)**	(1)
Transaction costs related to acquisitions		**(95)**	–	**–**	–
Interest received		**246**	220	**1**	–
Interest paid		**(599)**	(495)	**(33)**	(28)
Net cash inflow from operating activities	(a)	**199**	297	**104**	68
Cash flows from investing activities					
Payments for acquisition of subsidiary		**–**	(1,710)	**–**	–
Payments for property, plant and equipment		**–**	–	**(9)**	(1)
Payments for intangible assets		**(81)**	(23)	**(31)**	(19)
Payments for held-to-maturity investments, net of fees		**–**	–	**(162)**	–
Distributions received from equity accounted investments		**290**	94	**–**	–
Net cash inflow from investing activities		**209**	(1,639)	**(202)**	(20)
Cash flows from financing activities					
Loans (to)/from related parties		**(1,858)**	(278)	**38**	18
Repayment of loans from/(to) related parties		**1,796**	(160)	**(11)**	(26)
Proceeds from issue of securities		**–**	821	**–**	20
Proceeds from borrowings (net of costs)		**1,759**	2,541	**–**	–
Repayment of borrowings		**(1,454)**	(1,205)	**(2)**	–
Distributions paid to Transurban Group's security holders		**(694)**	(579)	**–**	–
Distributions paid to non-controlling interests in subsidiaries		**(84)**	(55)	**–**	–
Proceeds from equity issued to non-controlling interests		**–**	330	**–**	–
Net cash outflow from financing activities		**(535)**	1,415	**25**	12
Net (decrease)/increase in cash and cash equivalents		**(127)**	73	**(73)**	60
Cash and cash equivalents at the beginning of the year		**229**	156	**245**	179
Effects of exchange rate changes on cash and cash equivalents		**–**	–	**(5)**	6
Cash and cash equivalents at end of year		**102**	229	**167**	245

(a) Reconciliation of profit after income tax to net cash inflow from operating activities

	THT 2017 $M	THT 2016 $M	TIL 2017 $M	TIL 2016 $M
Profit/(loss) for the year	**202**	173	**(51)**	(154)
Depreciation and amortisation	**310**	276	**40**	37
Non-cash net finance costs	**23**	36	**63**	82
Change in operating assets and liabilities:				
(Increase)/decrease in trade and other receivables	**–**	(1)	**–**	(4)
(Increase)/decrease in concession notes	**15**	(95)	**–**	–
(Decrease)/increase in related party operating loans	**(276)**	(208)	**67**	115
(Decrease)/Increase in trade creditors and accruals	**(87)**	112	**2**	2
Increase/(decrease) in other operating provisions	**–**	–	**2**	–
Increase/(decrease) in provision for income taxes payable	**–**	1	**(41)**	(31)
Increase/(decrease) in maintenance provision	**–**	–	**22**	21
Increase/(decrease) in other liabilities	**12**	3	**–**	–
Net cash outflow from operating activities	**199**	297	**104**	68

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

Basis of preparation and significant changes

D1 Introduction

The Transurban Holding Trust Group consists of Transurban Holding Trust ('THT') and the entities it controls ('THT Group') and the Transurban International Limited Group consists of Transurban International Limited ('TIL') and the entities it controls ('TIL Group'). THT and TIL form part of the stapled Transurban Group.

THT is registered as a managed investment scheme under Chapter 5C of the Corporations Act 2001, and as a result requires a responsible entity. The responsible entity of the THT is Transurban Infrastructure Management Limited ('TIML'). TIML is the responsible entity of the Trust and is responsible for performing all functions that are required under the Corporations Act 2001 of a responsible entity.

THT is a Trust registered and domiciled in Australia.

TIL is a public company limited by shares and incorporated in Australia.

Going concern

TIL's current liabilities exceed its current assets by $1,314 million as at 30 June 2017. This is primarily attributable to a $1,591 million loan payable to another entity within the Transurban Group. Excluding this loan, the TIL Group has net current assets of $277 million.

Under the stapling arrangement, each entity is able to provide direct and/or indirect support to each other entity and its controlled entities within the Transurban Group.

The financial reports have been prepared on a going concern basis, which assumes the continuity of normal operations.

D2 Trust formation and termination

The Transurban Holding Trust was established on 15 November 2001 and has no termination date. The Trust was registered as a managed investment scheme by the Australian Securities and Investments Commission on 28 November 2001.

Operating performance

D3 Segment information

Refer to note B4 for further information around the structure of the segments for the Transurban Group.

THT operating segments

Management has determined that THT has one operating segment.

THT operations involve the leasing of assets and the provision of funding to the Transurban Group or associates of the Transurban Group. All revenues and expenses are directly attributable to these activities. The management structure and internal reporting of the Trust are based on this one operating segment.

TIL operating segments

Management has determined that TIL has one operating segment.

TIL operations involve the development, operation and maintenance of toll roads in the Greater Washington Area. All revenues and expenses are directly attributable to these activities. The management structure and internal reporting of TIL are based on this one operating segment.

Reconciliation of segment information to statutory financial information

Segment information for TIL as disclosed in the Transurban Group segment note at B4 is reconciled to the TIL statutory financial information below.

Segment revenue

Revenue from external customers is through toll and service and fee revenues earned on toll roads. There are no inter-segment revenues. Segment revenue reconciles to total statutory revenue as follows:

	TIL	
	2017 $M	**2016 $M**
Total segment revenue (proportional)	**209**	174
Add:		
Construction revenue from road development activities	**24**	–
Total revenue	**233**	174

Reconciliation of proportional EBITDA to statutory profit for the year

Proportional EBITDA reconciles to statutory net profit as follows:

	TIL	
	2017 $M	**2016 $M**
Proportional EBITDA	**116**	86
Add:		
EBITDA attributable to TIL corporate activities (disclosed in corporate and other)	**(4)**	–
Statutory earnings before depreciation and amortisation, net finance costs, equity accounted investments and tax	**112**	86
Statutory net finance costs	**(164)**	(234)
Statutory depreciation and amortisation	**(40)**	(37)
Loss before tax for the year from continuing operations	**(92)**	(185)

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D4 Revenue

	THT		TIL	
	2017 $M	**2016 $M**	**2017 $M**	**2016 $M**
Toll revenue	**–**	–	**209**	174
Rental income	**649**	575	**–**	–
Construction revenue	**87**	35	**24**	–
Other revenue	**–**	1	**–**	–
Concession fees	**28**	30	**–**	–
Total revenue	**764**	641	**233**	174

Revenue type	Recognition
Rental income	Rental income is derived from property held by THT and is recognised in profit and loss in accordance with the lease contract.
Concession fees	Other income from concession fees relates to the CityLink concession notes. Pursuant to the Agreement for the Melbourne CityLink Concession Deed (the Concession Deed), CityLink Melbourne Limited ('CityLink') (a member of the Transurban Group), is required to pay annual concession fees for the duration of CityLink's concession period. Until a certain threshold rate of return on the project is achieved, the payment of concession fees due under the Concession Deed can be satisfied by means of non-interest bearing concession notes. Following agreements reached with the State of Victoria (the State), the Group paid a total of $765 million to the State to have all current concession notes issued by the State assigned to Transurban Holding Trust, and the State directed CityLink to pay future concession notes to Transurban Holding Trust. Accordingly, CityLink continues to issue notes semi-annually to Transurban Holding Trust, and Transurban Holding Trust recognises concession note income from the issue of these notes, at the present value of expected future repayments.

D5 Income tax

TIL deferred tax assets and liabilities

	Asset		Liability	
	2017 $M	**2016 $M**	**2017 $M**	**2016 $M**
The balance comprises temporary difference attributable to:				
Accrued expenses	**7**	7	**–**	–
Provisions	**31**	21	**–**	–
Current and prior year losses	**301**	260	**–**	–
Fixed assets/intangibles	**38**	42	**(321)**	(294)
Cash flow hedges	**41**	34	**–**	–
Tax assets/(liabilities)	**418**	364	**(321)**	(294)
Set off of tax	**(55)**	(12)	**55**	12
Net tax assets/(liabilities)	**363**	352	**(266)**	(282)
Movements:				
Opening balance at 1 July	**364**	239	**(294)**	(210)
Credited/(charged) to the statement of comprehensive income	**23**	78	**(32)**	(117)
Credited /(charged) to equity	**(10)**	13	**–**	–
Foreign exchange movements	**(21)**	8	**11**	(6)
Transfer from deferred tax assets/liabilities	**6**	(44)	**(6)**	44
Other	**56**	70	**–**	(5)
Closing balance 30 June	**418**	364	**(321)**	(294)
Deferred tax assets/(liabilities) to be recovered after more than 12 months	**418**	364	**(321)**	(294)

Security holder outcomes

D6 Distributions

Refer to note B10 of the THL financial statements for the dividends/distributions paid and payable by the Group.

Movements in distribution provision – THT

	Distribution to security holders $M	Distributions to non-controlling interest in subsidiaries $M	Total $M
Balance at 1 July 2015	326	46	372
Additional provision recognised	762	58	820
Amounts paid	(579)	(55)	(634)
Amounts reinvested	(112)	–	(112)
Balance at 30 June 2016	**397**	**49**	**446**
Additional provision recognised	**911**	**85**	**996**
Amounts paid	**(694)**	**(84)**	**(778)**
Amounts reinvested	**(142)**	**–**	**(142)**
Balance at 30 June 2017	**472**	**50**	**522**

D7 Earnings per stapled security

	THT		TIL	
	2017	**2016**	**2017**	**2016**
Profit/(loss) attributable to ordinary security holders ($M)	**207**	209	**(51)**	(154)
Weighted average number of securities (M)	**2,046**	1,982	**2,046**	1,982
Basic and diluted earnings per security attributable to the ordinary security holders (Cents)	**10.1**	10.5	**(2.5)**	(7.8)

Capital and borrowings

D8 Reserves

Refer to note B12 for a description of the nature and purpose of each reserve.

THT	Cash flow hedges $M	Share-based payments $M	Total $M
Balance 1 July 2015	(48)	5	(43)
Revaluation, net of tax	(50)	1	(49)
Balance 30 June 2016	**(98)**	**6**	**(92)**
Revaluation, net of tax	**47**	**1**	**48**
Balance 30 June 2017	**(51)**	**7**	**(44)**

TIL	Cash flow hedges $M	Foreign currency translation $M	Transactions with non-controlling interests $M	Total $M
Balance 1 July 2015	4	(91)	(58)	(145)
Revaluation, net of tax	(20)	–	–	(20)
Currency translation differences	–	(11)	–	(11)
Balance 30 June 2016	**(16)**	**(102)**	**(58)**	**(176)**
Revaluation, net of tax	**16**	**–**	**–**	**16**
Currency translation differences	**–**	**20**	**–**	**20**
Balance 30 June 2017	**–**	**(82)**	**(58)**	**(140)**

D9 Net finance costs

	THT		TIL	
	2017 $M	**2016 $M**	**2017 $M**	**2016 $M**
Finance income				
Interest income from related parties	**520**	477	**–**	–
Other interest income	**2**	8	**–**	–
Net foreign exchange gains	**–**	2	**3**	–
Re-measurement of concession notes receivable	**–**	63	**–**	–
Total finance income	**522**	550	**3**	–
Finance costs				
Interest and finance charges paid/payable	**(635)**	(587)	**(167)**	(230)
Unwind of discount on liabilities – other liabilities	**(3)**	(3)	**–**	–
Unwind of discount on liabilities – promissory note	**(2)**	(13)	**–**	–
Net foreign exchange losses	**(2)**	–	**–**	(4)
Re-measurement of concession notes receivable	**(41)**	–	**–**	–
Total finance costs	**(683)**	(603)	**(167)**	(234)
Net finance costs	**(161)**	(53)	**(164)**	(234)

Re-measurement of concession notes

Re-measurement of concession notes represents the discount unwinding over the passage of time on these notes and the change in the payment profile of the concession notes.

D10 Borrowings

Refer to note B14 for a description of each facility type.

	THT 2017 $M	THT 2016 $M	TIL 2017 $M	TIL 2016 $M
Current				
TIFIA	–	–	12	–
Term debt	405	276	–	–
	405	276	12	–
Non-current				
Capital markets debt	1,452	1,018	604	626
U.S. private placement	1,669	929	–	–
Term debt	2,527	3,536	–	–
TIFIA	–	–	1,176	1,167
	5,648	5,483	1,780	1,793
Total borrowings	6,053	5,759	1,792	1,793

D11 Derivative and financial risk management

The instruments used by the Group are described in note B15.

	2017 $M Current THT	2017 $M Current TIL	2017 $M Non-current THT	2017 $M Non-current TIL	2016 $M Current THT	2016 $M Current TIL	2016 $M Non-current THT	2016 $M Non-current TIL
Assets								
Interest rate swap contracts – cash flow hedges	–	–	8	–	–	–	–	–
Liabilities								
Interest rate swap contracts – cash flow hedges	1	–	25	59	11	–	118	87
Cross currency interest rate swap contracts – cash flow hedges	–	–	107	–	–	–	30	–
	1	–	132	59	11	–	148	87

Market risk

Foreign exchange risk

Exposure to foreign currency risk at the reporting date, denominated in the currency in which the risk arises, was as follows:

	THT 2017 USD $M	THT 2016 USD $M	THT 2017 CHF $M	THT 2016 CHF $M	TIL 2017 AUD $M	TIL 2016 AUD $M
Receivables	1,216	1,121	–	–	1	1
Payables	(1,165)	(1,084)	–	–	(6)	(9)
Borrowings	(1,074)	(641)	(375)	(200)	–	–
Cross-currency interest rate swaps	1,074	641	375	200	–	–
Net exposure	51	37	–	–	(5)	(8)

Sensitivity

THT

	Movement in post-tax profit 2017 $M	Movement in post-tax profit 2016 $M	Increase / (decrease) in equity 2017 $M	Increase / (decrease) in equity 2016 $M
AUD/USD				
+ 10 cents	(8)	(6)	(28)	(30)
- 10 cents	10	8	40	42
AUD/CHF				
+ 10 cents	–	–	(15)	(10)
- 10 cents	–	–	27	17

TIL's profit and equity are not materially impacted by movements in foreign exchange.

D11 Derivative and financial risk management (continued)

Interest rate risk

THT and TIL are not materially impacted by movements in interest rates. As at the reporting date, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

	2017 $M		2016 $M	
	THT	TIL	THT	TIL
Cash and cash equivalents	102	167	229	245
Floating rate borrowings	(3,065)	(292)	(3,957)	(303)
Interest rate swaps (notional principal amount)	2,988	292	3,957	303
Net exposure to interest rate risk	25	167	229	245

Liquidity risk

Contractual maturities of financial liabilities

The amounts disclosed in the table are the contractual undiscounted cash flows of the Group's financial liabilities. For interest rate swaps, the cash flows have been estimated using forward interest rates applicable at the end of the reporting period. For further information refer to note B15.

THT

2017 $M	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Trade payables	55	–	–	–	–	–	55	55
Borrowings	581	893	879	1,085	368	4,056	7,862	6,056
Related party loans	912	733	454	1,202	412	3,916	7,629	5,802
Interest rate swaps	22	8	2	–	–	(15)	17	18
Cross-currency swaps	40	39	39	38	38	(118)	76	107
Concession and promissory notes	–	–	–	–	–	193	193	38
Other liabilities	14	47	–	–	–	–	61	56
Total	1,624	1,720	1,374	2,325	818	8,032	15,893	12,132

2016 $M	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Trade payables	142	–	–	–	–	–	142	142
Borrowings	443	1,003	858	1,222	996	2,615	7,137	5,759
Related party loans	634	763	655	409	1,172	3,123	6,756	5,101
Interest rate swaps	44	37	26	10	7	18	142	129
Cross-currency swaps	22	21	21	21	20	(106)	(1)	30
Concession and promissory notes	–	–	–	–	–	181	181	34
Other liabilities	–	14	46	–	–	–	60	53
Total	1,285	1,838	1,606	1,662	2,195	5,831	14,417	11,248

D11 Derivative and financial risk management (continued)

TIL

2017 $M	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Trade payables	48	–	–	–	–	–	48	48
Borrowings	43	69	89	94	95	3,333	3,723	1,792
Related party loans	1,657	–	–	–	–	–	1,657	1,591
Interest rate swaps	9	8	8	7	7	39	78	59
Total	1,757	77	97	101	102	3,372	5,506	3,490

2016 $M	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Trade payables	29	–	–	–	–	–	29	29
Borrowings	10	19	69	83	83	4,274	4,538	1,793
Related party loans	1,651	–	–	–	–	–	1,651	1,559
Interest rate swaps	11	11	10	10	9	60	111	87
Total	1,701	30	79	93	92	4,334	6,329	3,468

Network summary

Refer to the Network summary section of the Group financial statements for the intangible assets, concession note and promissory note accounting policies.

D12 Intangible assets

2017 **$M**	**Concession assets**		**Assets under construction**		**Total**	
	THT	**TIL**	**THT**	**TIL**	**THT**	**TIL**
Cost	**11,505**	**2,590**	**121**	**58**	**11,626**	**2,648**
Accumulated amortisation	**(1,926)**	**(101)**	**–**	**–**	**(1,926)**	**(101)**
Net book amount	**9,579**	**2,489**	**121**	**58**	**9,700**	**2,547**

2016 **$M**	**Concession assets**		**Assets under construction**		**Total**	
	THT	**TIL**	**THT**	**TIL**	**THT**	**TIL**
Cost	11,505	2,681	31	7	11,536	2,688
Accumulated amortisation	(1,616)	(68)	–	–	(1,616)	(68)
Net book amount	9,889	2,613	31	7	9,920	2,620

Movement in intangible assets

	Concession assets $M		**Assets under construction $M**		**Total $M**	
	THT	**TIL**	**THT**	**TIL**	**THT**	**TIL**
Opening balance 1 July 2015	8,331	2,562	83	–	8,414	2,562
Additions	50	–	22	7	72	7
Acquisition of subsidiary	1,710	–	–	–	1,710	–
Currency and other adjustments	–	88	–	–	–	88
Transfer	74	–	(74)	–	–	–
Amortisation charge	(276)	(37)	–	–	(276)	(37)
Net book amount 30 June 2016	**9,889**	**2,613**	**31**	**7**	**9,920**	**2,620**
Additions	**–**	**–**	**90**	**53**	**90**	**53**
Currency and other adjustments	**–**	**(90)**	**–**	**(2)**	**–**	**(92)**
Transfer	**–**	**–**	**–**	**–**	**–**	**–**
Amortisation charge	**(310)**	**(34)**	**–**	**–**	**(310)**	**(34)**
Net book amount 30 June 2017	**9,579**	**2,489**	**121**	**58**	**9,700**	**2,547**

D13 Other liabilities – concession and promissory notes

M2 Motorway

The face value of promissory notes on issue at 30 June 2017 is $193 million (2016: $181 million). The net present value at 30 June 2017 of the redemption payments relating to these promissory notes is $38 million (2016: $34 million).

Group structure

D14 Equity accounted investments

Set out below is the summarised financial information for the THT Group's investments accounted for using the equity method. The summarised financial information presented below is on a 100 per cent basis. Refer to note B22 for the details of the NorthWestern Roads Group.

THT	NorthWestern Roads Group	
	2017 $M	**2016 $M**
Summarised balance sheet – 100%		
Current assets	**47**	4
Non-current assets	**2,436**	2,498
Current liabilities	**(37)**	(11)
Non-current liabilities	**(1,639)**	(1,341)
Net assets	**807**	1,150
Summarised statement of comprehensive income – 100%		
Revenue	**131**	130
Depreciation and amortisation	**(34)**	(34)
Other expenses	**(4)**	(2)
Interest income	**37**	50
Income tax expense	**(5)**	(3)
Profit for the year	**125**	141
Other comprehensive income	**58**	–
Total comprehensive income	**183**	141

The following table reconciles the above summarised financial information presented on a 100 per cent basis to the proportional amounts recognised by the Group

Ownership interest	**50%**	50%
Proportional total comprehensive income	**91**	70
Profits not recognised	**91**	70
Group's share of comprehensive income	**–**	–

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in associates

THT	NorthWestern Roads Group 50%	
	2017 $M	**2016 $M**
Opening carrying value 1 July	**768**	862
Group's recognised share of total comprehensive income	**–**	–
Distributions received	**(290)**	(94)
Closing carrying value	**478**	768
Cumulative losses not recognised	**53**	178

D15 Non-controlling interests

Set out below is summarised financial information for each material subsidiary that has non-controlling interests that are material to THT. The amounts disclosed for each subsidiary are before inter-company eliminations.

THT

	Transurban Queensland 37.5%		Airport Motorway Trust 24.9%		Total	
	2017 $M	**2016 $M**	**2017 $M**	**2016 $M**	**2017 $M**	**2016 $M**
Summarised balance sheet						
Current assets	**196**	265	**21**	21	**217**	286
Non-current assets	**6,967**	7,106	**885**	881	**7,852**	7,987
Current liabilities	**(60)**	(145)	**(201)**	(198)	**(261)**	(343)
Non-current liabilities	**(4,163)**	(4,064)	**(530)**	(536)	**(4,693)**	(4,600)
Net assets	**2,940**	3,162	**175**	168	**3,115**	3,330
Carrying amount of NCI	**1,103**	1,186	**44**	42	**1,147**	1,228
Summarised statement of comprehensive income						
Revenue	**326**	259	**109**	106	**435**	365
(Loss)/profit for the year	**(63)**	(144)	**76**	72	**13**	(72)
Other comprehensive income/(loss)	**20**	(70)	**7**	4	**27**	(66)
Total comprehensive income/(loss)	**(43)**	(214)	**83**	76	**40**	(138)
(Loss)/profit allocated to NCI	**(24)**	(54)	**19**	18	**(5)**	(36)
OCI allocated to NCI	**7**	(26)	**2**	1	**9**	(25)
Summarised cash flows						
Cash flows from operating activities	**(13)**	104	**73**	59	**60**	163
Cash flows from investing activities	**(50)**	(1,710)	**–**	–	**(50)**	(1,710)
Cash flows from financing activities	**(65)**	1,630	**(73)**	(59)	**(138)**	1,571
Net (decreases)/increases in cash and cash equivalents	**(128)**	24	**–**	–	**(128)**	24

Other

D16 Related party transactions

THT

	THL[1] 2017 $'000	THL[1] 2016 $'000
Transactions with related parties		
Rental income	**648,915**	574,993
Interest income	**519,605**	477,387
Interest expense	**304,823**	311,519
Other expenses	**4,353**	4,263
Outstanding balances with related parties		
Current receivables	**1,922,516**	2,376,501
Non-current receivables	**7,452,217**	5,966,590
Concession notes	**946,490**	959,850
Current liabilities	**639,861**	266,201
Non-current liabilities	**5,162,354**	4,835,193

TIL

	THL[1] 2017 $'000	THL[1] 2016 $'000
Transactions with related parties		
Interest expense	**65,871**	127,373
Other expenses	**9,167**	7,470
Outstanding balances with related parties		
Loan to related parties	**–**	7,786
Loan from related parties	**1,590,698**	1,559,664

1. Transactions and outstanding balances between THT/TIL and THL.

D17 Parent entity financial information

Summary financial information

The individual financial statements for the parent entities (THT and TIL) show the following aggregate amounts:

	THT 2017 $M	THT 2016 $M	TIL 2017 $M	TIL 2016 $M
Balance sheet				
Current assets	**2,132**	2,828	**342**	351
Total assets	**14,836**	14,238	**365**	372
Current liabilities	**717**	687	**–**	–
Total liabilities	**5,517**	4,897	**–**	–
Net assets	**9,319**	9,341	**365**	372
Issued units/contributed equity	**10,665**	10,520	**309**	302
Reserves	**7**	6	**55**	69
(Accumulated losses)/Retained earnings	**(1,353)**	(1,185)	**1**	1
Shareholders' equity	**9,319**	9,341	**365**	372
Profit for the year	**743**	393	**–**	3
Exchange differences on translation of USD balances, net of tax	**–**	–	**(13)**	11
Total comprehensive income/(loss)	**743**	393	**(13)**	14

Section E: Signed reports

In the opinion of the Directors of Transurban Holdings Limited, Transurban Infrastructure Management Limited (as the responsible entity of Transurban Holding Trust) and Transurban International Limited (collectively referred to as 'the Directors'):

(a) the financial statements and notes of Transurban Holdings Limited and its controlled entities, including Transurban Holding Trust and its controlled entities and Transurban International Limited and its controlled entities set out on pages 45 to 112 are in accordance with the Corporations Act 2001, including:

  (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the Transurban Holdings Limited Group's, Transurban Holding Trust Group's and Transurban International Limited Group's financial position as at 30 June 2017 and of its performance for the year ended on that date, and

(b) there are reasonable grounds to believe that the Transurban Holdings Limited Group, Transurban Holding Trust Group and Transurban International Limited Group will be able to pay their debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note B24 will be able to meet any obligations or liabilities to which they are, or may become liable, subject by virtue of the deed of cross guarantee described in note B24.

Note B3 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

Lindsay Maxsted
Director

Scott Charlton
Director

Melbourne
8 August 2017

Independent auditor's report

To the stapled security holders of Transurban Holdings Limited, Transurban Holding Trust and Transurban International Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial reports of Transurban Holdings Limited (THL or the Company) and its controlled entities (together the Transurban Group or the Group), Transurban Holding Trust (the Trust) and its controlled entities (together THT) and Transurban International Limited (the International Company) and its controlled entities (together TIL) are in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the financial positions of the Transurban Group, THT and TIL as at 30 June 2017 and of their financial performance for the year then ended

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial reports of the Transurban Group, THT and TIL (the financial report) comprise:

- the consolidated balance sheets as at 30 June 2017
- the consolidated statements of comprehensive income for the year then ended
- the consolidated statements of changes in equity for the year then ended
- the consolidated statements of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the later sections of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Transurban Group, THT and TIL in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Transurban Group, THT and TIL, their accounting processes and controls and the industry in which they operate.

Materiality

- For the purpose of our audit of the Group we used overall group materiality of $38 million, which represents approximately 2.5% of the earnings before interest, tax, depreciation and amortisation expenses (EBITDA) of the Group.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose EBITDA as the benchmark because, in our view, it is the metric against which the performance of the Transurban Group is most commonly measured and is a generally accepted benchmark in the infrastructure industry. We chose 2.5% based on our professional judgement, noting that it is within the common range relative to EBITDA benchmarks.

Audit scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- We conducted an audit of the financial report for each of the Transurban Group, THT and TIL, including substantive audit procedures in respect of the operation of each of the toll road concessions and equity accounted investments. Specific audit procedures were also performed for interest, tax, depreciation and amortisation expenses.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period and were determined separately for the Group, THT and TIL. Relevant amounts listed for each part of the stapled group represent balances as they are presented in the financial report and should not be aggregated. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We communicated the key audit matters to the Audit and Risk Committee.

Recording of toll revenue

Group - Note B5	*THT*	*TIL – Note D4*
Toll revenue: $2,083m	*KAM not applicable – no toll revenue*	*Toll Revenue: $209m*

Key audit matter	How our audit addressed the key audit matter
The Transurban Group operates toll roads in 4 geographic segments: Melbourne, Sydney and Brisbane in Australia and the Greater Washington Area in the United States. Each toll road records and recognises revenue through the use of technology, specifically, road side equipment supported by tolling and billing systems. Tolling equipment and systems are highly customised complex systems that are built with the purpose of correctly identifying vehicle type, calculating correct fare and linking the vehicle to the customer's account for billing purposes or obtaining information from local transport authorities for vehicles that have not made a valid billing arrangement. Every toll road operates under a different concession deed which governs the means by which customers are charged. This was a key audit matter for the Group and TIL due to the large volume of transactions that were processed in the year, the unique nature of each toll road and the reliance on bespoke information technology systems and controls. This is the first financial year in which Airportlink M7 revenue is included for the full 12 month period.	Our procedures included, amongst others: • Testing a selection of Information Technology General Controls (ITGCs) supporting the integrity of the tolling systems' operation, including access, operations and change management controls. • Performing tests of the design and operation of relevant controls over revenue adjustments, write offs, image processing and exception reporting. • Performing testing of the review and approval of a selection of toll price increases for each toll road during the year. • Performing data analysis of manual journals and adjustments to revenue to test a sample of material postings to revenue and checking that they were generated by the tolling systems. • Comparing the revenue profile for each toll road to the prior year, taking into account observed increases in traffic and approved toll price increases to the prior year and budget. • Testing a selection of cash collected by the US toll roads.

Borrowings

Group - Note B14	*THT - Note D10*	*TIL – Note D10*
Current Borrowings: $880m *Non-Current Borrowings: $12,868m*	*Current Borrowings: $405m* *Non-Current Borrowings: $5,648m*	*Current Borrowings: $12m* *Non-Current Borrowings: $1,780m*

Key audit matter	How our audit addressed the key audit matter
Borrowings are an integral part of the Transurban Group's business model as it is the key source of funds used by the business to fund new projects and upgrades to existing concession assets. Borrowings represent the largest liability on the balance sheets. During the year the Transurban Group refinanced over $2 billion of borrowings through bonds issuances and new bank facilities. Each of the borrowing agreements has its own set of terms and conditions and therefore audit work was required to assess the treatment of the agreements and their impact on the financial statements. Given the size of the borrowings balance, the number of borrowing agreements in place and the importance of the funding structure for continued growth, the accounting for borrowings was considered a key audit matter for the Group, THT and TIL.	Our procedures included, amongst others: • Obtaining confirmations from banks to confirm a selection of borrowings, including amounts, tenure and conditions. • Reading the most up-to-date borrowing agreements with the financiers to develop an understanding of the terms associated with the facilities and the amount of facility available for drawdown. • Where debt is regarded as non-current, considering whether there is an unconditional right to defer payment such that there were no repayments required within 12 months from the balance date. • Assessing accounting treatment of the capitalised borrowing costs arising from new arrangements and borrowing costs related to terminated facilities. • Evaluating the debt maturity profile and funding plan in light of our understanding of the debt agreements in place. • Performing tests of the design and operation of relevant controls over treasury function including funding plan and board review and approval of debt agreements and financial institutions used.

Service concession arrangements

***Group** - Notes B16 - B18, B25*	***THT** – Notes D12, D13*	***TIL** – Note D12*
Concession assets: $17,793m *Maintenance provision: $994m* *Other liabilities: $78m* *Other provisions: $90m*	*Concession assets: $9,579m* *Concession notes receivable: $946m* *Other liabilities: $38m*	*Concession assets: $2,489m* *Maintenance provision: $67m*

Key audit matter	How our audit addressed the key audit matter
Each of the concession assets in the Transurban Group's portfolio represents a contractual right under a concessional agreement to toll a road in return for the capital and expertise needed to build, maintain and operate the road. Every concession asset is governed by its own concession agreement between the Group and the concession grantor (typically government or a local transport authority of the region in which concession is granted). As a result, the Transurban Group is subject to a number of contractual obligations, some of which have a direct impact on financial statements. Whenever the Group undertakes a new project to construct, acquire or upgrade the asset, its contractual arrangements with concession grantors are altered either through a new concession agreement or an amendment of the existing concessional agreement. The right to receive future economic benefits is recognised on the balance sheet as a concession asset. The asset is recognised at cost of construction or price paid at acquisition. The Group monitors performance of the assets for indicators of impairment at the end of each reporting period. Where indicators are identified during the period, the Group compares the carrying amount to its estimate of the recoverable amount of the asset. The concession agreements also contain clauses that require the Transurban Group to make cash outflows in the future, resulting in the recognition of concession liabilities such as maintenance liabilities, concession note liabilities and contingent consideration liabilities. The concession asset recoverable amount and concession liabilities recognised are calculated by estimating the net present value of future cash flows of the concession agreements using discounted cash flow models (the models). This area requires significant judgement by the Group due to a number of uncertain assumptions that impact the timing and quantum of future cash flows generated by the toll road, specifically assumptions such as future traffic expectations, operating costs, maintenance cash outflows and finance cost forecasts. We considered this to be a key audit matter for the Group, THT and TIL due to the accounting complexity of the arrangements and judgement required to interpret the accounting requirements and calculate their impact on the financial statements. During the year and up to the date of this report the Group reached financial close on the Inner City Bypass upgrade project, Logan Enhancement Project and 395 Express Lanes Project. Each of these projects resulted in changes to the contractual obligations of the Group. In addition to that, as projects such as the CityLink Tulla Widening progress further and conditions of the agreements are satisfied, audit work was required to assess the impact on financial statements.	We evaluated the concession agreements for each toll road to develop an understanding of the nature of the agreements with the concession grantors and assess the accounting implications of the contractual arrangements. Our other procedures included, amongst others: • Performing tests of the design and operation of controls over a selection of the forecast and modelling processes impacting the models. • Considering the relevant obligations in the concession agreements having regard to the calculations in the models and corresponding balance sheet line items. • Involving valuation specialists to assess the calculation methodology and reasonableness of the assumptions used within the models. • Evaluating the impairment indicator assessment. • Assessing the mathematical accuracy of the models and agreeing key data to the latest approved budgets and forecasts. • Assessing the adequacy of the disclosures in the financial report in respect of contractual arrangements having regard to the requirements of Australian Accounting Standards.

Income taxes		
***Group** - Note B7* *Income tax benefit: $35m* *Deferred tax assets: $1,061m* *Deferred tax liabilities: $931m*	***THT*** *KAM not applicable – trust structure is not subject to income tax*	***TIL** – Note D5* *Income tax benefit: $41m* *Deferred tax assets: $363m* *Deferred tax liabilities: $266m*

Key audit matter	How our audit addressed the key audit matter
Taxation was a key audit matter for the Group and TIL due to the accounting complexity of the calculations, judgemental nature and expertise required to estimate the tax position recorded. The Transurban Group is subject to income taxes in Australia and the United States. Judgement is required in determining the provision for income taxes. The Group is also subject to a number of industry specific tax rules and provisions which require significant judgement and detailed understanding of the legislation and relevant case law. Some of the tax provisions are subject to interpretation and therefore for some transactions the ultimate tax determination is uncertain. Deferred tax assets relating to carried forward tax losses are recognised to the extent there are sufficient taxable temporary differences relating to the same taxation authority against which the unused tax losses can be utilised. The assumptions supporting this position are dependent on future cash flows generated from the toll roads operating in each tax group. Future taxable profits will need to be generated in order to support the recognition of the deferred tax assets. In the United States tax losses expire after a 20 year period. Due to the stapled structure of the Group, tax calculations are complex and require the Group to make judgments and assumptions. Furthermore, as described in note B7 the Transurban Group contains 4 different tax consolidated groups with their own Tax Sharing and Tax Funding agreements, each of which creates additional complexities in the calculations.	Our procedures included, amongst others: • Assessing the processes for identifying uncertain tax positions and the related accounting policy of provisioning for tax exposures. • Using PwC tax specialists to gain an understanding of the current status of tax assessments and investigations and assessing the impact of new tax laws and guidance on the tax balances recognised. • Reading recent rulings and correspondence with local tax authorities, as well as independent external advice provided to the Group and TIL where relevant, to assess the associated tax provisions. • Testing a sample of deferred and income tax calculations for each tax group. • Assessing the key assumptions used to support the recognition of tax losses and their future utilisation. The key assumptions included judgements over future traffic growth and pricing assumptions.

Other information

The directors of Transurban Holdings Limited, Transurban International Limited and Transurban Infrastructure Management Limited (as the responsible entity of Transurban Holding Trust), (collectively referred to as "the directors") are responsible for the other information. The other information included in the Company's annual report for the year ended 30 June 2017 comprises the Director's report (but does not include the financial report and our auditor's report thereon), which we obtained prior to the date of this auditor's report. The other information also includes the Corporate Governance Statement and Security holder information, which are expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Transurban Group, THT and TIL to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Transurban Group, THT or TIL or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 23 to 41 of the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Transurban Holdings Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Chris Dodd
Partner

Melbourne
8 August 2017

Security holder information

The security holder information set out below was applicable as at 14 August 2017.

Distribution of stapled securities

The number of holders of stapled securities, which comprise one share in Transurban Holdings Limited, one share in Transurban International Limited and one unit in Transurban Holding Trust, was 104,588.

The voting rights are one vote per stapled security.

The percentage of total holdings held by or on behalf of the 20 largest holders of these securities was 77.76 per cent.

The distribution of holders was as follows:

Security grouping	Total holders	Stapled securities	% of issued stapled securities
1 - 1,000	38,006	17,533,057	0.85
1,001 - 5,000	48,360	118,780,638	5.78
5,001 - 10,000	11,125	78,627,399	3.83
10,001 - 100,000	6,810	145,839,220	7.10
100,001 - 999,999,999	287	1,693,315,598	82.44
Total	**104,588**	**2,054,095,912**	**100.00**

There were 2,989 holders of less than a marketable parcel of stapled securities.

There were 2,054,095,912 stapled securities on issue.

20 largest holders of stapled securities

Name	Number of stapled securities held	% of issued stapled securities
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	703,693,138	34.26
BNP PARIBAS NOMINEES PTY LTD	307,406,422	14.97
J P MORGAN NOMINEES AUSTRALIA LIMITED	257,680,211	12.54
CITICORP NOMINEES PTY LIMITED	122,256,767	5.95
NATIONAL NOMINEES LIMITED	83,156,339	4.05
CITICORP NOMINEES PTY LIMITED	31,333,557	1.53
BNP PARIBAS NOMS PTY LTD	25,430,054	1.24
AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	18,335,264	0.89
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,245,807	0.40
ARGO INVESTMENTS LIMITED	5,802,689	0.28
AMP LIFE LIMITED	5,390,572	0.26
AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED	4,000,000	0.19
CUSTODIAL SERVICES LIMITED	3,721,004	0.18
MILTON CORPORATION LIMITED	3,512,975	0.17
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,190,711	0.16
BOND STREET CUSTODIANS LIMITED	3,097,984	0.15
DIVERSIFIED UNITED INVESTMENT LTD	3,000,000	0.15
NATIONAL NOMINEES LIMITED	2,879,678	0.14
BKI INVESTMENT COMPANY LIMITED	2,593,205	0.13
NAVIGATOR AUSTRALIA LTD	2,587,379	0.13
Total	**1,597,313,756**	**77.76**

Substantial holders

Substantial security holders as at 14 August 2017 were as follows:

Name	Number of stapled securities held	% of issued stapled securities
UNISUPER	278,743,444	13.65
COMMONWEALTH BANK OF AUSTRALIA	110,939,481	5.41
BLACKROCK GROUP	102,336,832	5.01

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Enquiries

Enquiries about your Transurban stapled securities

The stapled securities register is maintained by Computershare Investor Services Pty Ltd.

If you have a question about your Transurban securities or distributions please contact:

Computershare

Yarra Falls
452 Johnston Street
Abbotsford, Victoria 3067
Australia

Mail

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